



# Warrant Committee Report Town of Belmont FY 2018 Budget

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May 2017

## **2016–2017 Warrant Committee Members**

*John Alcock*

*Michael Crowley*

*Adam Dash (Vice-Chair, resigned, now Selectman)*

*Roy J. Epstein (Chair)*

*Jennifer Fallon*

*James Gammill (Secretary)*

*Anne Helgen*

*Michael Libenson*

*Paul Lisanke*

*Geoffrey Lubien*

*Robert McLaughlin*

*Gregory Mennis*

*Ellen Schreiber*

*Laurie Slap*

*Ex officio*

*Sami Baghdady (former Board of Selectmen representative)*

*Lisa Fiore, School Committee*

*Mark Paolillo, (former Board of Selectmen representative)*

*James Williams (Board of Selectmen)*

## Report of the Belmont Warrant Committee to Town Meeting May 2017

**Authorization:** *As prescribed by the Town of Belmont's By-Laws, it is the duty of the Warrant Committee to consider for all town meetings all articles in the Warrant that involve an appropriation of money and to report thereon to Town Meeting. The Warrant Committee is specifically charged with recommending a budget to Town Meeting and such recommendations are contained herein.*

### **I. Overview of FY18 Recommended General Fund Budget**

The FY18 recommended General Fund budget is \$110.08 million, which represents a 3.5% increase over last year.<sup>1</sup> This increase is made possible primarily by the allowed 2.5% increase in last year's property taxes. In addition, the budget reflects "new growth" from additional property improvements, expected motor vehicle excise and restaurant taxes, other local revenue such as building permits and fees, and various forms of state aid. The budget process identifies the expected revenues and subtracts out the fixed costs, such as pensions, debt service, Minuteman, and roads override funds. The remainder of the revenue is available for the General Fund budget.

Town Meeting created a General Stabilization Fund ("GSF") after the 2015 override as a "savings account" for the revenue from the override. The override has been essential to preserve town services. The GSF was originally expected to allow the budget to remain in balance for three years (FY16–FY18). Not using the GSF in FY18 means that we should be in a position to use a portion of it to balance the budget in FY19. However, the projected deficits for FY20 and beyond suggest that the GSF may be depleted in FY20 and increased revenue (such as in the form of a future override) and/or reduced expenditures may therefore be required in the coming years.

The GSF balance is currently about \$3 million. The Warrant Committee concurs with the approach under consideration by the Board of Selectmen not to draw upon the GSF in FY18, leaving the \$3 million in that account for future use. This approach would instead make greater use of Free Cash in FY18. We will study our Free Cash balance further in advance of an expected Fall 2017 Town Meeting to make recommendations concerning a possible additional transfer at that time from Free Cash to the GSF.

Exhibit 1 compares the recommended FY18 General Fund budget to corresponding data for FY17. This budget is as of May 12, 2017 and is subject to minor adjustments before the June Town Meeting.

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<sup>1</sup> The General Fund budget does not include expenditures budgeted under the Enterprise accounts (i.e., water and sewer), the Belmont Housing Trust, or Belmont Light.

**Exhibit 1: Summary of FY18 General Fund Budget vs. FY17 (\$ million)**

	<b>FY18</b>	<b>FY17</b>	<b>\$ Change</b>	<b>% Change</b>
Town	\$38.55	\$36.97	\$1.57	4.3%
Schools	\$52.97	\$50.13	\$2.84	5.7%
Capital Budget (Discretionary)	\$1.37	\$2.63	(\$1.26)	-48.1%
Fixed Costs*	\$17.19	\$16.61	\$0.58	3.5%
<b>Total General Fund Budget</b>	<b>\$110.08</b>	<b>\$106.34</b>	<b>\$3.74</b>	<b>3.5%</b>

\*Includes legally binding obligations such as pensions, debt replacement, state charges (e.g., MBTA), capital items (roads, sidewalks), Minuteman Vocational School, and Assessor’s abatement reserves.  
 Note: Data do not include expenses budgeted in enterprise funds, trust accounts, or Belmont Light.  
 FY17 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

The “split” of the general fund budget across spending categories is one of the key decisions in the budget process. Exhibit 1 indicates the overall budget growth of 3.5% reflects growth of 4.2% for the town and 5.7% for the schools. The reduction in discretionary capital spending is a return to a more normal level after unusually high expenditures in FY17, as explained further below. The split between town and school in part reflects the stated purpose of the 2015 override to devote the majority of the override revenue to the schools due largely to increased enrollment.

Exhibit 2 breaks out the increases in spending by function. The exhibit shows town departments, school spending, and Minuteman costs as discussed later in this report. In addition, the exhibit breaks out insurance expense, capital spending, and other fixed costs.

**Exhibit 2: FY18 General Fund Budget vs. FY17 by Department or Function (\$ million)**

	<b>FY18</b>	<b>FY17</b>	<b>\$ Change</b>	<b>% Change</b>
General Government	\$4.60	\$4.50	\$0.09	2.1%
Human Services	\$3.22	\$3.19	\$0.03	1.1%
Police	\$7.75	\$7.68	\$0.07	1.0%
Fire	\$6.57	\$6.53	\$0.04	0.6%
Public Works	\$7.93	\$7.71	\$0.22	2.8%
Community Development	\$1.11	\$1.06	\$0.05	4.9%
Facilities	\$4.38	\$4.32	\$0.05	1.2%
Insurance	\$2.99	\$1.98	\$1.02	51.3%
Belmont Public Schools	\$52.97	\$50.13	\$2.84	5.7%
Capital Budget (Discretionary)	\$1.37	\$2.63	(\$1.26)	-48.1%
Minuteman Vocational	\$0.91	\$0.80	\$0.11	14.4%
Pension Expense*	\$7.35	\$6.96	\$0.39	5.6%
Other Fixed Costs**	\$8.94	\$8.86	\$0.08	0.9%
<b>Total General Fund Budget</b>	<b>\$110.08</b>	<b>\$106.34</b>	<b>\$3.74</b>	<b>3.5%</b>

\* Does not include pension expenses budgeted in enterprise funds, Belmont Light, or trust accounts. See Pension discussion below.

\*\* Includes legally binding obligations such as: debt replacement, state charges (e.g., MBTA), capital budget (roads override), and Assessor’s abatement reserves.

Note: Data do not include expenses budgeted in enterprise funds or trust accounts. FY17 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

The most material changes (i.e., a percentage change of more than 5% and a dollar change of at least \$100K) are for Insurance, Belmont Public Schools, Capital Budget (Discretionary), Minuteman, and

Pensions. On the town side, the increases for departments were generally well below 2.5%. The increase for Insurance was by far the largest item for the town side. These issues are discussed in greater detail below.

The recommended budget maintains roughly level town services, avoids major cuts in the School programs and addresses higher enrollments, and provides for capital investments (roads, sidewalks, equipment).

On the revenue side, FY18 is expected to produce increased property taxes, local receipts (e.g., motor vehicle excise), and state aid. The new Belmont Light substation was sold to Eversource (formerly Nstar) in December 2016 and will generate additional property tax revenue for FY18, as will the Belmont Uplands development.

Expected and recommended revenues are summarized in Exhibit 3. This funding approach increases utilization of Free Cash to \$2.32 million and does not draw upon the GSF in FY18. The Board of Selectmen is expected to vote on May 15 whether to endorse this approach.

**Exhibit 3: FY18 Expected General Fund Revenues vs. FY17 Actual Revenues (\$ million)**

	<b>FY18</b>	<b>FY17</b>	<b>\$ Change</b>	<b>% Change</b>
Total Property Taxes	\$88.55	\$85.38	\$3.17	3.7%
Local Receipts	\$7.61	\$7.22	\$0.39	5.4%
State Aid	\$10.10	\$9.38	\$0.72	7.7%
Free Cash	\$2.32	\$1.71	\$0.60	35.1%
Other Available Funds				
General Stabilization Fund	\$0.00	\$0.00		
Assessor Overlay	\$0.24	\$0.24		
Parking Meters	\$0.09	\$0.09		
Belmont Light PILOT	\$0.65	\$0.65		
Enterprise Funds Transfers	\$0.31	\$0.30		
Other	\$0.22	\$0.57		
Total Other Available Funds:	\$1.50	\$2.66	(\$1.21)	-45.5%
<b>Total General Fund Revenue</b>	<b>\$110.08</b>	<b>\$106.34</b>	<b>\$3.67</b>	<b>3.5%</b>

Note: Subject to adjustment when State Aid is finalized later this fiscal year. Calculations reflect rounding.

## **II. Enterprise Funds**

Belmont maintains separate Water Enterprise and Sewer Enterprise Funds. The Enterprise Funds receive revenue from rates charged for these services. The expenses of the Funds include operation and upkeep of the town's water and sewer system, including stormwater management. The total expenditures for the Enterprise Funds are summarized in Exhibit 4.

**Exhibit 4: Enterprise Funds Budget Summary (\$ million)**

	<b>FY18</b>	<b>FY17</b>	<b>\$ Change</b>	<b>% Change</b>
Water	\$7.49	\$6.81	\$0.68	10.0%
Sewer	\$9.33	\$9.18	\$0.15	1.6%
<b>Total Enterprise Funds</b>	<b>\$16.82</b>	<b>\$15.99</b>	<b>\$0.83</b>	<b>5.2%</b>

Note: Calculations reflect rounding.

**III. Risks and Concerns regarding the FY18 Budget**

Two areas in the budget will require particular monitoring during FY18 because they can give rise to material unbudgeted expenses:

- Special education (“SPED”) costs continue to represent a large percent of the Education budget. This cost category, particularly out-of-district placement and transportation costs, is difficult to forecast and small changes can have meaningful impact. There are reserves for SPED expenses in the school department “circuit breaker” account that will provide a buffer in FY18. Town Meeting will be asked this year to create a new vehicle called a “Special Education Reserve Fund” to manage SPED expenses. The new Fund is made possible by changes in state law and provides greater flexibility to accommodate unanticipated SPED expenses compared to the existing Special Education Stabilization Fund, which has had nearly a zero balance since May 2015.
- Belmont’s model of self-insurance for healthcare has budgeted growth of 9.0% for FY18 compared to 2.5% last year. Health insurance costs are volatile. If the actual healthcare expenses exceed the forecast, the additional costs would need to be absorbed. If the expenses come in lower than budgeted, the savings can be added to Free Cash or the General Stabilization Fund, or put to other use. Belmont has reinsurance policies to manage extraordinary adverse health insurance events.

The line item for Insurance in Exhibit 2 increases by about \$1 million. However, this change primarily reflects an accounting adjustment related to the difference between the FY17 budget as voted by Town Meeting and the “adjusted budget” that takes account of certain labor contract negotiations for which the FY17 budget set up a reserve. The Warrant Committee does not see the budgeted FY18 Insurance expense as a problem.

**IV. Departmental Highlights:**

The key analyses and recommendations for specific departments are summarized below. Detail and support is provided in the report that follows.

**Education** (*Belmont Public Schools and Minuteman*):

The 2015 Override has provided key support to Belmont’s schools. The ongoing contract negotiations and continuing pressure from increased enrollments present the most important financial management decisions facing the School Committee. These factors will strongly influence when the next operating override will be need to be considered.

Total enrollment is expected to increase by about 100 students per year in the near term, in line with the recent trend. The schools are reaching physical capacity limits. The school district will need more classrooms and teachers to accommodate them. Funding for additional modular classroom space will likely be considered by a Fall 2017 Town Meeting.

Belmont's schools are efficiently run with excellent results. Compared to a group of nearby towns and cities, Belmont has relatively low spend per pupil, faster enrollment growth especially in the elementary grades, and larger than average class sizes.

*Minuteman:* The October 2016 Special Town Meeting voted to withdraw from the Minuteman District effective June 2020. At present 28 students from Belmont attend Minuteman.

### **Public Services** (*Department of Public Works (DPW), Community Development (CD), Facilities*)

The new solid waste contract bidding process is a key departmental focus. A significant amount of time has already gone into coming up with potential options including pay as you throw. An audit has taken place over the last two years with input from numerous parties. The department will go in front of the Board of Selectmen in the fall to determine the next contract with the goal of having a new contract in place by the new calendar year. There are challenges with recycling as manufactures are moving to more light-weight plastic which is not as valuable; however, cardboard shipping boxes are offsetting some of these declines.

Community Development has built a talented, hardworking team; however, a fair amount of turnover exists, particularly in Inspection Services. The Department has worked with HR and the Town Administrator to increase the salary grade to meet the needs of adding experience and be better aligned with market rates. New zoning bylaws introduced by the Planning Board will increase this Department's workload; the newly added Staff Planner role will now include enforcement to the position to answer that challenge. For FY18, \$26,000 has been added to Inspectional Services for fill-in inspectors to offset the resources that have been diverted to focus on zoning. The department will evaluate its effectiveness and determine whether additional staffing will be necessary in subsequent years.

The consolidation of the Facilities of both the Town and School Department has been successful. The consolidation of vendors has resulted in savings. Progress has been made with the union that allows the Department's personnel to work interchangeably in Town and School Department buildings. The Department has engaged through the bid process three so-called House Doctors that can be called upon to promptly provide outsourcing of maintenance and repairs. The cost effectiveness of the House Doctors program is still under review. As referenced below, the Department seeks a FTE in the FY18 budget to hire an in-house HVAC technician.

### **Public Safety** (*Police, Fire, Emergency Management*)

Both the Police and Fire Departments have expressed the need for additional information technology support to make better use of recent investment in software and data management tools. The Warrant Committee sees a priority in trying to meet these needs and to identify scope of work and staffing requirements, presumably civilian employees or outside contractors.

The pending completion of the Uplands development puts additional management demands on the Public Safety Departments to track the number, types, and frequency of calls and transports in order to realign current staffing and equipment or identify increased staffing needs. Public Safety officers are among the most expensive FTEs in the Town on an all-in cost basis that includes benefits, retirement and OPEB. Any additions in FTEs should be based on a thorough analysis of the need.

The Police Department building does not meet the needs of a modern department. The recommendations to be provided to the town by the Major Capital Projects Working Group should address the timetable and scope of work to solve this long-standing problem.

**General Government** (*Financial departments: Assessors, Accounting, Treasurer; Administrative departments: Human Resources, Information Technology, Town Administrator, Town Clerk*)

The Town Administrator department has a significant number of strategic projects in the upcoming year, including implementation of a strategic planning process with the BOS and department heads; supporting the process to hire a new Town Administrator; continuing the Belmont High School Building process; developing a capital plan for major buildings; continuing implementation of the Recreation Strategic Plan, including consideration of opportunities to regionalize where they may exist; and completing negotiations for all expiring labor contracts.

The Informational Technology department is beginning a 3-year project to transition the fiber hub located in the former Belmont Municipal Light building in Belmont Center. The first phase, in this year's capital budget, is to analyze the current fiber network and create a fiber map. Phase two will create a new design, and phase three will implement the new network. The transition is planned to avoid any disruption in services when the building is eventually decommissioned.

The new Massachusetts public records law went into effect in January 2017, which requires all requests for information to be logged, tracked, and responded to within specific time frames. Public record requests have significantly increased as the public has become more aware of the laws and the availability of information. At the same time, the new law limits the fees that municipalities can charge for researching answers to requests. The Town Clerk's office has created new processes to track the status of requests throughout all of Belmont town government, which is currently being automated in order to reduce the administrative burden.

**Human Services** (*Council on Aging (COA), Health, Library*)

The Council on Aging, with a relatively modest budget of about \$400K, continues to provide a wide range of services to the seniors leveraged by grants, donations, sponsorships, volunteer services and revolving funds. Sign-in records show that approximately 40 percent of Belmont's seniors utilize the Beech Street Center.

The Health Department has been proactive, in cooperation with the Council on Aging and the Police and Fire Departments, in dealing with the increasing occurrence of seniors living alone with no support system and the problem of hoarding.

Despite an aging building, the Belmont Library nevertheless is the 11th best circulating Public Library in the Commonwealth of Massachusetts and the 12th best circulating Children's Room in the Commonwealth. The number of children participating in outreach programming, i.e., librarian-led activities outside the library, rose over the previous year by 28% to more than 1,500. The new Director has launched several new initiatives and reorganized the utilization of space within the library for greater efficiency and circulation storage.

#### **V. Free Cash and Stabilization Fund Update**

By law, the MA Department of Revenue certifies each city or town's free cash as of July 1 of a given year. Belmont started FY17 with \$7,135,275 in certified Free Cash. Several years ago the Board of Selectmen and Warrant Committee agreed upon a Free Cash Guideline: Belmont will seek to maintain the amount of Free Cash in the range from 3-5% of the current year's General Fund Revenue Budget (with a target of 4%). This is thought to be a prudent level to cushion against unforeseen adverse financial events. Given the FY17 General Fund Revenue Budget is approximately \$106 million, the guideline indicates a target of approximately \$4.3 million for FY18, with range of \$3.5 million to \$5.3 million.

The Warrant Committee recommends allocating \$2.32 million in Free Cash to the General Fund budget. Assuming Town Meeting approves this and the proposed contribution of \$384,706 to the OPEB Stabilization Fund, Belmont would retain approximately \$4.4 million in Free Cash before adjustments for replenishments, which is within the guideline range.

Free cash is replenished from revenues in excess of budget and from expense turnbacks, i.e., lower than budgeted expenses. Based on our financial experience, we expect to replenish our use of Free Cash in the FY18 budget by the July 1, 2018 certification. The average Free Cash replenishment over the past six years has been approximately \$3.0 million but there is no guarantee that this rate will be maintained in the future.

Town Meeting has created three stabilization funds – each effectively “rainy day funds”. The Special Education Stabilization Fund was established in 2012 to cover extraordinary special education costs but that fund was drawn down to nearly a zero balance in 2015 and has not received additional funding. As mentioned above, Town Meeting will be asked this year to create a new vehicle for a similar purpose called a “Special Education Reserve Fund.” Two additional stabilization funds were created recently by Town Meeting: the General Stabilization Fund mentioned above as well as a Major Capital Stabilization Fund. The latter fund is expected to hold one-time revenues from the sale of Town assets. The Major Capital Stabilization Fund is currently empty because its initial funding of \$1.75 million from the sale of the Woodfall Road parcel has already been transferred to the High School Building Project.

The Warrant Committee is committed to ensuring that taxpayer monies are deployed with maximum efficiency and effectiveness. The Committee also understands that overrides in Belmont are rare and should be used as a last resort to preserve services in town. It will be a top priority of the Warrant Committee to use the most recent override to keep Belmont's budget in balance for as long as possible. The stabilization funds are an important part of that strategy.

The long-term use of Free Cash for the General Fund budget is only sustainable if there is adequate replenishment. It is not realistic to expect that greater reliance on Free Cash will eliminate the eventual need for a future override to avoid sacrificing town services.

## **VI. Longer-Term Issues**

Two decisions made in FY17 have particularly significant financial implications beyond the next fiscal year. First, Belmont voted to withdraw from the Minuteman Vocational School District effective June 2020. Thereafter, Belmont may send students by paying a tuition fee to be determined by the Minuteman District, contingent on space being available. A non-member town will not have legal responsibility for the debt that will be issued to construct a new Minuteman School. The vote to leave the Minuteman District reflected an expectation that Belmont will be able to provide comparable vocational education in the future, either at Minuteman or elsewhere, at a lower cost than as a member town.

Second, the Belmont Retirement Board voted to extend the amortization schedule for the town's unfunded pension obligation by two years, from 2027 to 2029, and made technical changes that affected the necessary payments. With the extension, the annual payments will be lower but the number of payments will be higher. The Warrant Committee as well as the Board of Selectmen recommended an extension to the amortization schedule to 2030 but the Retirement Board, which has independent authority in this area, chose 2029 as the new target date. The new payment schedule implies contributions that increase by approximately 4.45% per year over 2020–2029, compared to the rate of about 7% in the prior schedule. The change provides greater flexibility for the Town to fund priorities in future budgets but does not eliminate the pressure of this significant liability.

As discussed at the beginning of this report, the 2015 override was expected to balance the budget for three to four years. We are discussing strategies with the Board of Selectmen to handle projected budget deficits that the town's financial model currently indicates for FY20 and later. This is a complex problem involving management of costs, generating economic growth to produce new revenue, utilization of Free Cash and any remaining balances in the GSF, and consideration of a future operating override.

Four issues stand out as long-term drivers of increased costs for the town: 1) employee compensation costs, 2) school enrollment growth and special education, 3) capital projects, and 4) unfunded pension and healthcare liabilities.

### **1. Compensation**

Compensation costs represent over 60% of the overall Belmont budget. As such, controlling compensation growth and matching it to revenue growth will remain a vital factor in keeping our budget in balance for years to come.

Many municipal and school employees are unionized, with contracts that typically last three years. We are in the midst of a new negotiating round. The outcome of upcoming contract negotiations will be vital in determining whether or for how long Belmont will be able to maintain a balanced budget

without drastic service cuts or further operating overrides. It is an enormous challenge to hire and retaining top quality talent across the municipal and school employment spectrum while managing compensation with revenue growth.

## **2. Enrollment Growth and Mandated School Costs**

Belmont has outstanding schools that attract families from all over the world. Over the past ten years, student enrollment has increased by approximately 700 students, more than the total populations of any of our four elementary schools. The School Department anticipates an additional 100 students each year for at least several years. This comes from turnover in the existing housing stock as well as new students expected from the residential expansion in Cushing Square and the Uplands.

Maintaining classroom sizes has necessitated more teachers and aides. However, the schools are reaching physical capacity limits. Modular classrooms have been installed at Chenery and additional modulars will be installed at one or more elementary schools sometime in 2018. It will be more difficult to find further short-term solutions if overcrowding continues.

Special Education and ELL costs are also significant cost drivers over which the School Department has only limited control due to legal mandates.

## **3. Capital Projects**

Belmont has a Capital Budget Committee (“CBC”) that annually recommends typically smaller capital projects with a total value of between \$1 million and \$2 million. The FY17 CBC budget was augmented with a one-time insurance settlement of nearly \$1 million related to the construction of the fire stations. The FY18 CBC budget of \$1.37 million is a return to a more normal level.

Belmont has a large backlog of major capital projects. Notable achievements funded by debt exclusions and the General Fund budget in the past few years include the Wellington School, two new fire stations, renovations to Town Hall and the Homer Building, the Beech Street Center, the new Underwood Pool complex, and the Belmont Center project. There has been increasing attention to the state of our roads and sidewalks and the 2015 override devoted more resources in this critical area.

There remains a list of large capital projects that will require decisions by the voters because the scale is beyond what can be handled with the General Fund budget. Debt exclusions will be needed to finance them. Depending on the project, there may also be a role for private fundraising or other partnerships. The high school and library have received the most discussion to date. In addition, the list includes the DPW facility, the police station, the former incinerator site, and the hockey rink.

A High School Building Committee has already been formed and is engaged in studying essential questions such as how many grades should be included in the project. The Belmont Library has completed a feasibility study and has a preliminary design for a new building at the current library site.

The Warrant Committee is working with the Capital Budget Committee, the Board of Selectmen, the Town Treasurer, and other bodies to develop leadership and feasible strategies for the major capital projects other than the high school. With the recent formation of the Major Capital Projects Working

Group, the expectation is to report back to Town Meeting by fall of 2017 with plans that can be executed within a reasonable time frame and in a financially responsible way.

#### **4. Pension and Healthcare Liabilities**

Belmont currently has unfunded pension obligations of over \$77 million. Several years ago the Belmont Retirement Board set 2027 as the date to fully amortize, i.e., pay down, this liability.<sup>2</sup> Discussions in November 2016 between the Warrant Committee, the Board of Selectmen, and the Belmont Retirement Board led the Retirement Board to extend the planned amortization by two years to 2029.

In FY18 Belmont is contributing a total of approximately \$9.01 million for pension expense for all relevant employees (General Fund, Enterprise, Housing Trust, Belmont Light). Approximately \$1.8 million of this amount is the budgeted pension expense for current employees in FY18. The remainder of approximately \$7.2 million is the required contribution to meet the new amortization target date. As previously mentioned, the growth in the total expense is expected to taper to 4.45% annually over the period FY20–FY29.

The Retirement Board’s 2029 amortization schedule is based on an assumed average investment return of 7.5% on the pension assets. Belmont conducts a biennial actuarial valuation to evaluate investment performance and other factors, which is used to evaluate our funding strategy. The intent is to pay off the unfunded liability prior to the state-mandated upper limit of 2040, as this leaves some cushion in the event of a financial downturn. If the average investment return falls significantly below 7.5%, either the annual contribution would need to increase (to meet the 2029 target) or the amortization period would need to be extended.

In addition to pensions, Belmont has an even larger unfunded liability for Other Post-Employment Benefits (“OPEB”). The liability is estimated to exceed \$150 million. The precise magnitude is difficult to measure because it depends on many assumptions about future health care costs, longevity, and investment returns.

Following the guidance of our actuarial consultants, Belmont adheres to GASB 45 rules by using pay-as-you-go funding for current health care costs as well as an annual contribution for future liabilities. Specifically, the FY18 budget includes approximately \$3 million to pay for health care benefits for currently eligible Belmont retirees. In addition, the financial articles include a contribution of \$384,706 to the OPEB Stabilization Fund for future benefit payments. The amount of this contribution reflects a formulaic guideline established by the Warrant Committee and the Town Treasurer several years ago. The plan is to accelerate paying down the OPEB liability after the unfunded pension obligation is extinguished.

A Belmont OPEB Study Group is working to try to gain greater clarity regarding our ultimate OPEB liability. The Town has issued an RFP for actuary services to provide two actuarial estimates. The first estimate would follow the accounting guidance of GASB 75. The second estimate would use actual data

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<sup>2</sup> The Retirement Board has independent authority to set the amortization schedule. The 2027 date was originally chosen in keeping with state requirements, which have since been eased.

from Belmont's health claims experience and the Study Group's assumptions about health care inflation. The actuary has not yet been chosen and the report will not be available in time for the June ATM. But the RFP represents great progress over where we were a year ago.

Belmont is not alone with regard to its large unfunded retiree healthcare liability. This is an issue for towns across the country. We expect that eventual action by the state legislature and federal government will be required to reduce healthcare delivery costs to help cities and towns meet this obligation.

## **VII. Organization of the report**

As in the past, the Warrant Committee takes a programmatic approach to analyzing the budget. Under this approach, we identify the programs provided by each department and then analyze the cost and FTE allocations of those programs. For each department, we have provided a description of the core mission and services provided. We then present a spending overview on a programmatic basis. An expense analysis follows, detailing and explaining those expense items that have changed by more than \$10,000 and 5%. There is description of proposed additions to programs and services, whether budgeted or not. Where useful, we have included special analyses and recommendations on issues confronting a department.

This report is a collaborative report that reflects many hours of work by all members of the Warrant Committee with assistance from the Town Administrator, the Town Treasurer, the Town Clerk, the School Committee and the School Superintendent, and each of the department heads. The Chair of the Warrant Committee takes responsibility for the contents. We welcome all feedback that could help make the report more useful to Town Meeting Members. Please email any comments to [warrcommpublic@belmont-ma.gov](mailto:warrcommpublic@belmont-ma.gov).

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## General Government

*Article 13: That under General Government, \$4,202,724 be raised and appropriated.*

General Government departments are responsible for the administrative, financial, legal, and management functions of the Town. They are Town Clerk, Town Administration, Human Resources, Information Technology, Town Accountant, Town Treasurer, and Assessors' Office.

### Town Clerk

#### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$415,975	(\$34,114)	-7.58%	4.50

#### Department Mission / Description of Services

*Mission:* To support town governance by gathering, recording and communicating vital information in a timely and accurate manner.

*Services:* (a) Elections and Registration: conduct elections, maintain the town census and voting lists, promote voter registration and participation; (b) maintain the town's vital records from 1859 to present, issue licenses, maintain information about Town Meeting, boards and committees in compliance with Open Meeting Laws, ensure compliance with ethics and campaign reporting requirements; and (c) Legislative: provide information support to Town Meeting members and support to conduct Town Meeting.

#### Budget by Program

Most of the cost is distributed between two areas – Elections and Registration and Town Clerk responsibilities.

Program	FTEs	FTE %	Budget \$	Budget %
Elections & Registration	2.05	45.6%	\$185,349	44.6%
Town Clerk	2.05	45.6%	\$206,050	49.5%
Legislative	0.40	8.9%	\$24,576	5.9%
<b>Total</b>	<b>4.50</b>	<b>100.0%</b>	<b>\$415,975</b>	<b>100.0%</b>

#### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Part Time Sal Poll Workers	\$37,500	\$76,950	-51.3%	Fewer elections

#### Requested Adds (not included in the budget above)

None.

#### Special Analysis and Observations

Massachusetts early voting law went into effect for the November 2016 presidential election. Belmont's rollout was very successful – 34% voted before Election Day during 11 days of early voting (including late

hours and Saturday voting). New central tabulation facility on Election Day (at Town Hall) counted all of the early votes, which included more votes than any of our other eight precincts. Belmont was randomly selected for a mandated post-election audit/recount which verified the results. NOTE: The FY18 election budget is reduced because there are fewer elections.

The new Massachusetts public records law went into effect in January 2017, leading to a significant increase in public record requests. In preparation, staff inventoried and indexed stored records, and they are currently implementing a database to track the progress of requests to all departments. The new law limits the fees charged for researching answers to requests, which will have a budgetary impact.

## Town Administration

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$1,044,141	\$27,767	2.73%	5.00

#### Department Mission / Description of Services

*Mission:* Under the policy direction of the Board of Selectmen (BOS), the Town Administrator shall: (i) serve as the town's chief administrative officer; (ii) act as the agent for the BOS; (iii) be responsible to the BOS for the proper operation of town affairs; (iv) supervise, direct and be responsible for the efficient administration of all departments and employees under the jurisdiction of the BOS; and (v) perform all functions for which the administrator is given responsibility, authority or control by the Town Administrators Act of 2013, by-law or vote of the BOS.

*Services:* (a) Oversee and coordinate activities of Town departments; (b) initiate and organize planning and budgeting; (c) serve as senior point of contact for residents, the media and the general public regarding town services and issues; (d) coordinate and manage legal services and risk management.

#### Budget by Program

The largest amount of time and resources are spent in General Management services, which includes but is not limited to, managing and coordinating the work of department heads, overseeing and procuring insurance, and handling community relations. Legal Services takes the next largest amount of resources.

Program	FTEs	FTE %	Budget \$	Budget %
General Management	5.00	100.0%	\$612,398	58.7%
Board of Selectmen	0.00		\$126,743	12.1%
Legal Services	0.00		\$297,500	28.5%
VFW Lease Agreement	0.00		\$7,500	0.7%
Total	2.92	100.0%	\$308,068	100.0%

#### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Full Time Salaries	\$510,099	\$484,866	5.2%	Adjusted salary range for TA search; adjusted employee's position to reflect expanded responsibilities

#### Requested Adds (not included in the budget above)

None.

#### Special Analysis and Observations

Areas of particular focus for the department this year will include: implementation of a strategic planning process with the BOS and department heads; supporting the process to hire a new Town

Administrator; continuing the Belmont High School Building process; developing a capital plan for major buildings; continuing implementation of the Recreation Strategic Plan, including consideration of opportunities to regionalize where they may exist; and completing negotiations for all expiring labor contracts.

**FY18 Recommendations**

**Recommendation**

Promote appropriate opportunities to issue the remaining alcohol licenses

**Explanation**

The Town is still holding several full alcohol restaurant, and several beer/wine restaurant, licenses. Issuing them will lead to more revenue and bringing more customers to business centers.

## Human Resources

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$308,067	\$15,283	5.22%	2.92

### Department Mission / Description of Services

*Mission:* Provide a range of personnel services to the Town.

*Services:* (a) Benefits administration for current employees, retirees and survivors; (b) management of employee/labor relations including contract negotiations, grievances, performance policies and handbooks; (c) implementation of pay and position classification including maintenance of job descriptions and pay plans for all employees; (d) recruiting and overseeing training for employees in compliance with contracts and state and federal regulations; and (e) providing information and assistance on HR-related matters to residents, prospective applicants, other municipalities and government agencies.

### Budget by Program

Time and money are divided among Benefits Administration services including health, dental and life insurance and flexible spending and deferred compensation plans, labor relations and negotiations, pay and classification plan matters, and general assistance to employees, agencies and the general public.

Program	FTEs	FTE %	Budget \$	Budget %
Benefits Administration	0.39	13.4%	\$37,578	12.2%
Employee/Labor Relations	0.54	18.5%	\$62,234	20.2%
Pay and Classification	0.63	21.6%	\$63,412	20.6%
Recruitment & Retention	0.78	26.7%	\$87,811	28.5%
Other	0.58	19.9%	\$57,033	18.5%
Total	2.92	100.0%	\$308,068	100.0%

### Expense Analysis

No budget line items changed by more than 5% and by more than \$10,000 from the prior year.

### Requested Adds (not included in the budget above)

None.

### Special Analysis and Observations

The department is continuing collaboration with the School Department and union leaders to improve and look for potential savings in benefit offerings. Work is continuing to streamline and improve hiring, orientation, and exit interview processes. Primary challenges in FY18 will be reaching contract settlements with all unions and continuing to ensure compliance with requirements of the Affordable Care Act.

## Information Technology

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$919,874	\$45,803	5.24%	5.00

#### Department Mission / Description of Services

*Mission:* Provide the technology infrastructure for the town government.

*Services:* (a) Maintain core network infrastructure (including backup and security); (b) provide essential enterprise software systems; (c) provide coordinated support for GIS data and software; (d) provide and maintain desktop and field hardware and software equipment, applications and support; and (e) provide user training.

#### Budget by Program

Personnel expenses account for 47% of the budget, with the remainder spent on software licensing and support, computer equipment, and other non-salaried cost of services.

Program	FTEs	FTE %	Budget \$	Budget %
Desktop Services	1.10	22.0%	\$199,852	21.7%
ERP Systems Admin	1.25	25.0%	\$194,325	21.1%
GIS/DB Admin	1.10	22.0%	\$32,231	3.5%
File Server/Communications	1.25	25.0%	\$469,521	51.0%
Technology Training	0.30	6.0%	\$23,945	2.6%
Total	5.00	100.0%	\$919,874	100.0%

#### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Equipment and Wiring	\$95,000	\$63,000	50.8%	Replace network switch gear \$30K/year for 3 years

#### Requested Adds (not included in the budget above)

None.

#### Special Analysis and Observations

The IT department is beginning a 3-year project to transition the fiber hub located in the Belmont Light building. The first phase, in this year's capital budget, is to analyze the current fiber and create a fiber map. Phase two will create a new design, and phase three will implement the new network. The transition is planned to coincide with the decommissioning of the old electric substation.

The IT department has successfully moved many software applications to the cloud, including office applications, MUNIS, GIS, and other department-specific applications, which will continue to save money in equipment and maintenance in the future. Belmont is currently ahead of many other

Massachusetts municipalities in making this transition. In addition, we have been upgrading the town's ISP service, and we plan to upgrade the network switching gear over the next three years.

**FY18 Recommendations**

**Recommendation**

Reduce number of printers  
Increase departmental app development  
Expand technology training programs

**Explanation**

Lower cost & maintenance by sharing within departments  
Save time and cost by automating more processes  
Accelerate adoption of new applications and automated processes

## Town Accountant

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$417,762	\$10,192	2.50%	3.60

### Department Mission / Description of Services

*Mission:* To perform accounting, auditing, procurement, and budgeting/reporting functions.

*Services:* Prepare Town financial statements, maintain general ledger, prepare required filings to MA Department of Revenue, and assist with recapitulation for tax rate certification. Auditing—work with external auditors, review internal procedures and perform fraud risk assessments, assist with Town compliance with Personal Information Protection Program Contracts/Accounts Payable, maintain custody of all contracts, prepare and approve all warrants for payments in accordance with Massachusetts General Laws. Budgets—provide financial information to all town departments, assist in preparation of department budgets and monitoring revenues and expenditures.

### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Accounting	0.80	22.2%	\$104,624	25.0%
Auditing	0.80	22.2%	\$104,623	25.0%
Budgeting/Reporting	0.10	2.8%	\$55,799	13.4%
Accounts Payable & Purchasing	1.45	40.3%	\$113,289	27.1%
Other	0.45	12.5%	\$39,427	9.4%
Total	3.60	100.0%	\$417,762	100.0%

### Expense Analysis

No budget line items changed by more than 5% and by more than \$10,000 from the prior year.

### Requested Adds (not included in the budget above)

None.

### Special Analysis and Observations

The staff is cross-functionally trained and is operating well.

## Town Treasurer

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$680,751	(\$628)	-0.09%	7.50

#### Department Mission / Description of Services

*Mission:* To manage all cash collections, borrowings, investing and disbursements for the Town.

*Services:* The Treasurer's Department manages all cash collections, borrowings, investing and disbursements, insuring the safety of all funds and adequate liquidity to pay obligations as due. In addition, the Treasurer is responsible for other financial functions including the administration of payrolls, deferred compensation plans, management of real estate and other tax collections, preparation of quarterly reports for the IRS, liaison with debt rating agencies, and serving as the Parking Clerk.

#### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Treasury Management	3.60	48.0%	\$299,084	43.9%
Collections	3.30	44.0%	\$285,822	42.0%
Parking	0.60	8.0%	\$95,845	14.1%
Total	7.50	100.0%	\$680,751	100.0%

#### Expense Analysis

No budget line items changed by more than 5% and by more than \$10,000 from the prior year.

#### Requested Adds (not included in the budget above)

None.

#### Special Analysis and Observations

None.

#### FY18 Recommendations

##### Recommendation

Select a Warrant Committee representative to the Community Preservation Committee.

##### Explanation

In 2010 Belmont voted to adopt the Community Preservation Act (CPA). Belmont raises funds for the CPA by assessing a 1.5% charge on real estate taxes. The CPA is a significant part of the annual expenditures of Belmont and there would be a benefit from more active dialogue between the CPC and the Warrant Committee.

Evaluate new Belmont Center Parking Program  
Continue to monitor adoption of on-line billing program

The Treasurer's Office has implemented a new parking program in Belmont Center and it will be important to assess the impact to business and citizens. Adoption rates by taxpayers have increased and the department should continue to advance this program in FY18.

## Assessors' Office

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$416,154	\$28,009	7.22%	3.40

### Department Mission / Description of Services

*Mission:* To list and value all real and personal property for purposes of taxation by the Town.

*Services:* The Assessor's office is responsible for listing and valuing all real estate and personal property in Belmont. It is also charged with the administration of tax exemptions, excise and real estate and personal property abatements as well as inspections and changes in value due to structural additions and modifications. It operates under the oversight and direction of an elected Board of Assessors.

### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
List & Value	1.10	32.4%	\$134,150	32.2%
New Growth	1.00	29.4%	\$123,840	29.8%
Abatements & Exemptions	0.85	25.0%	\$103,511	24.9%
Excise Taxation	0.45	13.2%	\$54,654	13.1%
Total	3.40	100.0%	\$416,154	100.0%

The budget for FY18 increased largely due to health insurance costs and full staffing of the department.

The Department will be renewing the appraisal software contract that has been used for many years at a favorable rate. This software (CAMA) works well for Belmont and the staff is well trained in its use.

The Commonwealth has informed Belmont that the town will no longer need to undergo a revaluation audit every three years but rather every five years. This will reduce some expenses in the coming years.

### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Revaluation Services	\$100,000	\$90,000	11.1%	Adjusted annually based on revaluation requests from the Department of Revenue

### Requested Adds (not included in the budget above)

None.

### Special Analysis and Observations

The Assessors welcome the fact that the department is fully staffed and will continue its goal of continuous improvement in its operations.

New Growth figures are expected to include the value of the Belmont Light transfer station.

The Abatements and Exemptions reserve will increase to \$ 800,000 from \$ 750,000 which is approximately 1% of the property tax revenue (the Commonwealth would approve a range of 1-5%). The additional reserve allows for larger new growth valuations that might create additional abatement requests.

## Human Services

*Article 13: That under Human Services, \$3,206,856 be raised and appropriated.*

### Council on Aging

#### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$399,157	(\$11,263)	-2.74%	5.70

#### Department Mission / Description of Services

*Mission:* Provide services to enrich the ability of seniors to live safe, independent, meaningful and healthy lives. There are approximately 5,000 Belmont residents over the age of 60 which is approximately one-fifth of the population.

*Services:* Transportation; social services for seniors and their families; on-site and home-delivered meals through Springwell, a funded non-profit; fitness activities and health education; recreation, education and arts programs for socialization; volunteer service opportunities; and, senior trips. Also manages the Beech Street Center rental program. The number of visits by sign-in increased over the previous year to 63,640. The number of different users (about 2,000) remained approximately the same with about 70 percent of the users as Belmont residents, but with many of the remaining 30 percent former Belmont residents.

#### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Transportation	1.90	33.3%	\$123,735	31.0%
Social Services	1.20	21.1%	\$86,021	21.6%
Nutrition	0.10	1.8%	\$13,768	3.4%
Health & Wellness	1.00	17.5%	\$94,358	23.6%
Socialization, Adult Ed	0.90	15.8%	\$50,689	12.7%
Volunteer Services	0.40	7.0%	\$15,753	3.9%
Senior Trips	0.10	1.8%	\$7,418	1.9%
After Hours & Rentals	0.10	1.8%	\$7,415	1.9%
Total	5.70	100.0%	\$399,157	100.0%

Transportation accounts for the largest percentage of FTEs (33.3%) and highest percentage of budget dollars (31.0%). FTEs for volunteers or grant-funded programs are not included.

#### Expense Analysis

No budget line items changed by more than 5% and by more than \$10,000 from the prior year.

The \$11,263 decrease in the budget results primarily from a retirement and a decrease in health insurance from a family to an individual plan. The decrease allowed an upgrade of a Senior Coordinator to the position of Assistant Director. Transportation is again approximately 1/3rd of the budget and amounts to a cost of approximately \$15.00 per ride. Transportation for the seniors is critical to many if they are to remain independent. To employ a means testing would disqualify the COA for transportation

grants. Transportation expenses are supported to a small degree by State and private grants. Most of the Health and Wellness budget line items are largely self-supporting by revolving funds.

**Requested Adds (not included in the budget above)**

More Social Services funding for the gap in the summer months and to continue to deal in conjunction with the Police, Fire and Health Departments with the growing problem of the seniors living alone with little support system and the increasing problem in the seniors community of hoarding.

**Special Analysis and Observations**

*Utilization:* The increased usage of the Beech Street Center driven by the expansion and the variety of the programs offered by the COA is to be applauded. Forty percent of Belmont’s seniors use the services of the COA at the Beech Street Center. With seed money from the Friends of the Council on Aging, the COA is exploring expanding its programs during the evenings. The COA’s tracking of the nature of the transportation rides has greatly improved. The COA is following with interest a study conducted by Brookline and Newton to outsource some of their transportation needs to ride-sharing companies such as Uber and Lyft.

*Overall Funding:* The COA budget of slightly less than \$400,000 is leveraged with the receipt of grants, contributions, business sponsors, revolving accounts and volunteer services, as well as the federally-funded Springwell Nutritional program that serves lunch at the Beech Street Center to approximately 60-70 seniors every weekday. In addition, lunches are delivered to the home-bound seniors.

*Inter-Dept. Cooperation:* As referenced above, the COA coordinates with the Police, Fire, Board of Health and Community Development departments providing services to the elderly. In addition, they have a close working relationship with the Recreation Department, including sharing their transportation capabilities and are coordinating with the Recreation Department the use of the Beech Street Center.

**FY18 Recommendations**

**Recommendation**

COA should evaluate outsourcing of transportation services to a ride-sharing company such as Uber or Lyft.

**Explanation**

Also being considered in Brookline and Newton. Potential cost savings but also question of feasibility for riders with disabilities. [gogograndparent.com](http://gogograndparent.com) allows a senior without a smartphone to interface with a ride sharing service.

## Health Department

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$588,991	\$9,198	1.59%	4.90

#### Department Mission / Description of Services

*Mission:* To enforce state and local health and environmental regulations, disease prevention, and health promotion activities to maximize health of residents.

*Services:* (a) enforce state and local regulations related to the control and care of animals; (b) enforce the mandated state sanitary codes, including inspections and complaints; (c) provide social services to veterans, youth and families (seniors are served through the Council on Aging); and (d) investigate and monitor disease outbreaks, disease prevention and health promotion, provide health education, and participate in public health emergency preparation.

#### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Animal Care & Control	1.00	20.4%	\$69,448	11.8%
Environmental Health	2.00	40.8%	\$239,133	40.6%
Youth, Family, Veterans	0.90	18.4%	\$147,966	25.1%
Disease Control	0.00		\$46,680	7.9%
Admin	1.00	20.4%	\$84,264	14.3%
Other	0.00		\$1,500	0.3%
After Hours & Rentals	0.10	1.8%	\$7,415	1.9%
Total	4.90	100.0%	\$588,991	100.0%

Program categories were restructured last year to better communicate the activities of the department. The largest share of time and budget is devoted to environmental health (inspections and complaints). Disease control is performed by a nurse shared with the town of Lexington (through a contract, not a Belmont employee). Contracting out of a portion of restaurant inspections has and continues to be successful in freeing up time for department staff to focus on other areas.

#### Expense Analysis

No budget line items changed by more than 5% and by more than \$10,000 from the prior year.

#### Requested Adds (not included in the budget above)

Potential addition of FTE hours to address the growing hoarding problem in town.

#### Special Analysis and Observations

The Health Department participates in numerous collaborations providing grants and programming, including mosquito control, tobacco prevention, substance abuse, emergency preparedness, and stress management. Additionally, through regionalization, we share a nurse with Lexington and a weights-and-measurements professional with Arlington.

Flu vaccinations are no longer provided as there were not enough residents taking advantage of it. This is due to the ability of individuals to obtain flu vaccinations from multiple sources and thus the grant was not pursued this year.

Hoarding and the opioid epidemic are big concerns of the department. Hoarding is the primary concern as cases are on the rise and highlighted by some recent highly visible cases in town, including the death of one resident in a house fire. The department believes this trend will continue and that additional resources are necessary to address this issue. Thus far, the opioid epidemic has been manageable in Belmont with continued public education.

Looking ahead, the department sees the legalization of marijuana in Massachusetts and possible Zika outbreaks as potential resource challenges to the department.

### **FY18 Recommendations**

<b>Recommendation</b>	<b>Explanation</b>
Continue joint communication of public health programming with other departments and community organizations.	To help residents become more aware of the breadth of available programming and expand utilization.
Look at way to add additional FTE hours	The additional hours would be used to address the increasing hoarding problem in the town.
Potentially coordinate with the town administration and other departments about obtaining a dedicated Grant writer	Grants are an important resource to the town that take a significant amount of time to complete. A dedicated resource would increase the number of requests while significantly freeing up resources in each town department.

## Library

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$2,218,708	\$26,124	1.19%	24.50

#### Department Mission / Description of Services

*Mission:* Serve as a resource for equal and open access to information, ideas and technology to enrich the lives of all; provide services that address the diverse needs and interests of the citizens of Belmont; promote and support a strong sense of community.

*Services:* Curate resource collections; facilitate circulation of resources; provide reference and research support; sponsor programs; maintain public community spaces and meeting rooms; support life-long learning, including technology training; and, participate in larger networks such as the Minuteman Library Network, Massachusetts Library Association, and Mass Library System.

#### Budget by Program

The library provides services in five primary program areas: Circulation Services; Adult/Reference Services; Young Adult Services; Children's Services; and Technical/Processing Services.

The budget calls for an increase below the town average. There are no significant changes in the allocation across program areas.

The FY18 allocations are provided below. Public Services include the first four program areas noted above. When combined with Technical/Processing services, programming accounts for 86% of the FTEs and 77% of the total budget.

Program	FTEs	FTE %	Budget \$	Budget %
Public Services	17.80	72.70%	\$1,398,529	63.0%
Technical/Processing Services	3.40	13.90%	\$309,536	14.0%
Plant Operations	1.30	5.30%	\$308,750	13.9%
Administration	2.00	8.20%	\$201,893	9.1%
Total	24.50	100.0%	\$2,218,708	100.0%

#### Expense Analysis

There were no line items that changed by at least 5% and more than \$10,000; although the library does plan to reallocate \$8,690 in expiring ESCO Lease Payments towards energy conservation measures. Maintenance building costs are budgeted to decline by 112.5% as a result of creation of an R&M HVAC Line. Note also that salary levels included in the budget submission may be adjusted based on the outcome of the current negotiation between the town and Belmont employees.

#### Special Analysis and Observations

None.

## Public Safety

*Article 13: That under Public Safety, \$14,321,520 be raised and appropriated.*

The Public Safety departments are the Police Department and the Fire Department. In addition to these two departments, the Public Safety appropriation includes \$24,341 for the Belmont Emergency Management Agency (BEMA), a mandated function responsible for planning, training, compliance and mitigation in relation to disaster planning and Homeland Security.

### Police Department

#### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$7,727,528	\$74,769	0.98%	86.00

#### Department Mission / Description of Services

*Mission:* The Police Department’s primary responsibility is to protect and serve the Town residents.

*Services:* There are five primary services: 1) Police Patrol Services; 2) Traffic Management; 3) Detectives and Investigations; 4) Community Services; and, 5) Public Safety Communications.

#### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Patrol Services	35.00	40.7%	\$4,456,258	57.7%
Traffic Management	27.00	31.4%	\$641,195	8.3%
Detectives & Investigations	5.00	5.8%	\$586,852	7.6%
Community Services	4.00	4.7%	\$400,251	5.2%
Joint Public (911)	10.00	11.6%	\$1,013,425	13.1%
Administration	3.00	3.5%	\$535,542	6.9%
Records	2.00	2.3%	\$94,005	1.2%
Total	86.00	100.0%	\$7,727,528	100.0%

Note: The department also utilizes 26 volunteer and per diem staff in addition to the above FTEs.

The FY18 budget for the Police Department calls for a 1.0% increase over the FY17 Adjusted Budget. However, the FY18 budget represents a 7.0% increase over the FY17 Budget voted by Town Meeting. The difference represents adjustments to the Police Department’s budget to reflect salary and benefit increases from the settlement of contract negotiations post-Town Meeting. These adjustments include settlements for the years 2015-17. About 58% of the budget is allocated to Patrol Services, which provides 24/7 coverage of the Town. The next largest portion of the budget is Communications, 13%, which handles emergency calls for both the Police and Fire Departments, including emergency medical services, as well as all after hours calls for the town. Administration expenses, including records, account for 8.1% of the budget.

#### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Police Patrol/First Responder Pay	\$89,330	\$79,294	12.7%	Increase due to settlement of collective bargaining agreements, which govern pay.
Police Patrol/Education Incentive	\$88,500	\$42,500	108.2%	Increase due to settlement of collective bargaining agreements, which govern education incentives so that more officers will have college degrees.
Police Detectives/Full Time Salaries	\$409,873	\$346,822	18.2%	Reflects reallocation of a sergeant position from Patrol Division to Detectives Division.

**Requested Adds (not included in the budget above)**

While there are no requested adds to the budget, the Police Department has expressed concern to the Public Safety Subcommittee about the need for increased information technology support.

**Special Analysis and Observations**

*General:* Community policing is an increasingly complex engagement, influenced by the rise in opioid usage, widespread mental health and domestic abuse issues, and the perception of policing driven by incidents occurring elsewhere. The Belmont Police Department’s proactive engagement in these issues and community-based outreach continues to be an important asset to the town.

*Technology and Data Management:* In recent years, the Department was able to utilize an existing employee to assist in advancing the Department’s use of technology and data management, resulting in significant time savings for the Department. However, with the loss of this employee, the department is reconsidering how to meet its technology challenges, especially with respect to making maximum use of its existing QED record management system. Development of customized management reports can provide efficiencies, more targeted deployment of assets, and enhanced support for achieving departmental goals, without which the technology becomes a wasted resource.

*Staffing:* FY17 is the first year in many that the Department is fully staffed at its budgeted number of positions. In addition to 48 sworn police officers, the Department oversees 38 additional communications, traffic safety, community service and administrative personnel, as well as 26 auxiliary and special police volunteer personnel for a total of 112 departmental employees. The Department believes the School Resource Officer (SRO), added in FY16, is extremely useful and has talked about the desire to add another. Because of the expense of adding additional officers, including salary and benefits (including pension expense and post employment health benefits), more analysis of benefits is needed before expanding the School Resource Officer program.

*Future Development:* In anticipation of new development at the Uplands and in Cushing Square, an analysis of peer community police department metrics was performed by the Subcommittee and shared with Police Department administrators. The analysis shows that the number of Belmont sworn officers is above those of many towns with similar number of calls for service, crime levels and arrests. Ratios of supervisory to non-supervisory personnel also are above those of many similar agencies. The analysis is one indicator that suggests increased activity from new development may be able to be absorbed without increases in FTEs. However, more analysis will be needed in order to determine the full impact of new developments on departmental resources. The Department is encouraged to engage in

discussion with the Cambridge and Arlington Police Departments about average calls from similar apartment complexes in those communities, which could provide additional information to assess the impact to the Department of new development.

*Physical Plant:* As recognized by the Capital Budget Committee and the Major Capital Projects Working Group, the Department's building does not meet the needs of a 21st century police department. For example, improvements are needed to ensure the security and efficiency of the booking area, and work needs to be done to identify storage options for evidence and other materials currently challenging the building's capacity.

### **FY18 Recommendations**

<b>Recommendation</b>	<b>Explanation</b>
Hire a consultant to assist with QED record management system.	Assistance is needed developing customized reports that can assist the management and efficiency of the Department, as well as reviewing the Department's existing technology base and needs. The Subcommittee recommends that the Town hire outside software consultants specializing in public safety to: 1) assess the ongoing technology needs of the Department and the level and type of support required on an ongoing basis, and 2) make recommendations regarding the compatibility, usage and efficiencies that can be obtained from maximizing the use of these investments.
Evaluate staffing models and "best practices" of comparable towns.	Subcommittee analysis of staffing, crime rates, and a number of other variables affecting police operations suggest that the Department may be able to handle new developments such as the Uplands and Cushing Square when they come online without new staff resources. The Department should consider extending the analysis, as peer community departments may suggest ideas, efficiencies, and other support for the Department's goals. At a minimum, neighboring police departments should be consulted about the nature of calls received from similar apartment complexes in their communities.
Evaluate existing use of space to meet current needs.	While there is a need to address new or rehabilitated space for the police headquarters building, possible short term solutions should be evaluated in order to remedy the most pressing challenges until then.
Consider implementation of a town-wide grant writing capability.	The Subcommittee recommends that the Town hire or procure a centralized town-wide grant writing capability. Competition for state and federal grants would be improved by a centralized resource with grant writing expertise, whether staff or consultant, who can monitor the panoply of federal, state, and other grant opportunities and, working with town departments, ensure that applications are made on behalf of the town.

## Fire Department

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$6,569,651	\$38,647	0.59%	55.49

#### Department Mission / Description of Services

*Mission:* The Fire Department's primary responsibility is providing emergency response to Town residents.

*Services:* The Fire Department is divided in to the following functions: 1) fire suppression, which is acts to extinguish and prevent the spread of fires, including responding to calls where a fire is likely; 2) fire prevention; 3) providing rescue services to the Town; 4) service calls and 5) fire department administration.

#### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Fire Administration	5.49	9.9%	\$820,827	12.5%
Fire Suppression	50.00	90.1%	\$5,548,924	84.5%
Rescue Services	0.00		\$199,900	3.0%
Total	55.49	100.0%	\$6,569,651	100.0%

Although the Fire Department is divided into five functions, the need to staff Fire Suppression 24/7 drives 88% of the FY18 budget and all of the non-administrative FTEs. These expenditures also cover ambulance, emergency and service calls, minor maintenance, and other tasks performed by the Fire Suppression personnel when not on fire calls. The Department recorded 2,814 incidents in calendar year 2016, of which 151 were fires and 1,200 were medical. Belmont's Fire Department provided 109 mutual aid calls (one engine sent) and received 63 mutual aid calls (often more than one piece of equipment). The EMS portion of the budget includes supplies, training and overtime, and other incremental costs required to provide ALS/BLS services. The bulk of EMT and ALS stipends are included in departmental expenses.

The table below shows a relatively flat 0.6% increase in FY18 over the FY17 Adjusted Budget; however, the FY18 budget represents a 5.8% increase over the FY17 Budget voted by Town Meeting. The difference represents adjustments to the Fire Department's budget to reflect salary and benefit increases from the settlement of contract negotiations post Town Meeting. These adjustments include settlement for the years 2015-2017.

#### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Admin-Full Time Salaries	\$498,262	\$462,903	7.6%	Rolls stipends and other pay into base salaries under new contract
Admin-Longevity	\$3,468	\$22,360	-84.5%	Reflects change in contract

Admin-Holiday Differential	\$8,642	\$20,180	-57.2%	language relating to longevity pay Reflects above restructuring of administrative base salaries
Admin-Replace Equipment	\$56,475	\$76,475	-26.2%	Reflects costs of Records Mgmt System in FY17; Telestat upgrade in FY18
Suppression-Overtime	\$565,397	\$643,195	-12.1%	FY17 Adjusted numbers include retroactive OT pay
Suppression-Longevity	\$17,867	\$40,826	-56.2%	Reflects change in contract language relating to longevity pay
Suppression-Holiday Differential	\$173,714	\$160,666	8.1%	Reflects change in contract pay, including retroactive year.

**Requested Adds (not included in the budget above)**

- 1) ALS Coordinator: Estimated annual expenses of \$90,000.
- 2) ½ FTE Data Analyst position: Estimated annual expenses of \$40,000
- 3) Dedicated Public Safety Information Technology Support: Additional support from IT department of 10-20 hours per week.

See below for discussion of these requests.

**Special Analysis and Observations**

*Ambulance Services:* The Fire Department provides both Basic Life Support ambulance service (BLS) and, since FY14, Advanced Life Support (ALS) services to the Town. In FY16, there were 1,170 ambulance transports made by the FD, of which 52% were ALS and the remainder BLS.

Several trends in providing ambulance services have budgetary impact:

- Ambulance services are facing increased pressure on revenues by legislative and insurance programs that seek to limit or cap payment for emergency transport services, which could significantly reduce ambulance receipts.
- Belmont’s ambulance revenues peaked in FY15 (the first full year of operation and during which Belmont provided ALS service for Watertown) and, in spite of higher transports, both revenues and average collections declined in FY16.
- At the same time, EMS expenses increase annually and are not related to the number of transports or changes in revenues. Fire suppression personnel (the providers of EMS services) are staffed based on fire suppression equipment needs, not EMS volume. EMS and ALS stipends, training, overtime and supplies also increase without relation to number of calls.

EMS provides a necessary service to the Town and represents a significant portion of departmental activity. The changing landscape of delivery of these services will necessitate continued careful analysis to ensure that incremental costs are in line with revenues.

*Administrative Turnover:* The anticipated spate of administrative retirements referred to in prior year reports has begun, with the retirements of the Assistant Chief and the Fire Prevention Officer in FY17. An additional four officers retired or resigned in FY17 and three more retirements are expected in FY18. As has been done historically, these positions are required to be filled internally per Civil Service. To

maintain full staffing the Department also has four firefighters expected to graduate from the Academy by first quarter FY18.

Analysis conducted by the public safety subcommittee shows that Belmont's public safety departments appear to have a higher percentage of supervisory personnel than comparable towns, and that towns of Belmont's size and number of calls typically do not have an assistant fire chief. The density of population and housing in Belmont renders this analysis simplistic from the Department's point of view, necessitating different staffing from other towns of Belmont's size. Without the commercial tax base of comparably dense cities and town, the budgetary impact of incremental staffing is greater in Belmont than in many of the comparables.

The Department has expressed a need for additional technology support in order to maximize the utilization of sophisticated systems purchased by the Town and also a desire to add an ALS coordinator. Public safety positions such as these are among the most expensive to add to the town's payroll when all-in costs, including retirement and other liabilities, are considered; any addition to Department FTEs should require a thorough analysis.

*Staffing:* The Department FTE count is driven by the need to staff 24/7 the required number of personnel to man resident equipment for a potential fire emergency. Belmont staffs two shifts with 13 firefighters and two shifts with 12, to provide a minimum of 11 firefighters for three fire trucks (two engine pumps and one ladder), ambulance, and a shift commander vehicle. Personnel also respond to EMS calls, conduct service calls, and perform in service inspections and routine maintenance. NFPA 1710 recommends a minimum of 17 firefighters responding to a fire; this can be achieved through a variety of options, including automatic mutual aid agreements. Belmont's larger neighbors, such as Cambridge, Waltham and Watertown, can meet this standard due to total size of their forces. Many comparable communities to Belmont in size are not able to meet NFPA 1710. Lexington and Arlington staff at less than 17 per shift and other communities, such as Reading and Winchester, staff below Belmont's 13 per shift.

*Overtime:* To the extent that there are vacancies, injuries or other absences, the Department uses overtime to ensure necessary equipment coverage. In FY17, an unanticipated number of injuries, non-job related sick leaves and medical leaves is expected to increase the amount of overtime hours by 25% over the most recent three-year average. Nonetheless, the department expects that overtime expenses will be within budget in FY17 and has budgeted the same number of expected OT hours in FY18 as FY17.

*Future Development:* In anticipation of new development at the Uplands and in Cushing Square, an analysis of comparable towns' fire departments was performed by the Subcommittee and shared with Fire Department administrators. Based on reported emergency responses and medical assists across this group, this analysis indicates that Belmont should be able to absorb incremental calls with existing staffing and equipment. During FY18, the Uplands apartments will begin occupancy and the Department will be able to collect data on the number and nature of calls they can expect over time. Discussion with the Cambridge Fire Department to ascertain the average calls per person at similar apartments in the Alewife area could provide further information on which to assess the impact of new development on the Department.

## FY18 Recommendations

### Recommendation

Consider a consultant to assess IT needs.

Further develop data analysis capability and management tools.

Evaluate opportunities to provide ALS coordinator without adding FTE.

### Explanation

The Town has recently invested significant funds in new management software and the Department has requested additional support for information technology needs. The Subcommittee recommends retaining an outside contract consultant specializing in public safety to assess the adequacy of the hardware and software already acquired and to help train staff to use the systems to achieve the greatest benefit of the technology.

Retain an outside contract programmer/consultant with public safety experience to help develop management reports and strategic plans using data collected by the new systems. Strategic planning should include knowledgeable individuals from elsewhere in town government or committees to assist with identifying relevant metrics and reporting areas.

Given the long-term all in expenses associated with adding an ALS coordinator and the variable nature of ambulance revenues in the two and one half years since ALS was initiated, the Subcommittee does not recommend the addition of an ALS Coordinator position at this time. The Department should pursue whether such a position can be absorbed

## Public Services

*Article 13: That under Public Services, \$13,416,759, be raised and appropriated.*

Public Services includes the Departments of Public Works (which includes the Recreation Department), Community Development, and Facilities. These departments are discussed separately below.

### Public Works

#### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$7,931,932	\$217,115	2.81%	66.90

Note: Dollar amounts exclude water and sewer enterprise accounts, which are shown separately below.

#### Department Mission / Description of Services

The Department of Public Works (DPW) provides a wide variety of key Town services including street and sidewalk maintenance, snow removal, vehicle fleet maintenance, forestry, grounds and delta maintenance, solid waste collection and disposal, street lighting, parks and playing fields maintenance, cemetery maintenance, water and sewer maintenance and construction. The Recreation Department was consolidated into Public Works several years ago.

Recreation provides Belmont residents with healthy, enjoyable and affordable activities regardless of age, gender or physical ability. Offerings include Summer Underwood and Higginbottom Pool Programs, Summer Sports and Activity Programs, School Year Programs, Skating Rink Programs, Spring Programs and Special Needs Programming.

For FY18, the Recreation Department is going through some organization realignment as the result of the recommendations of the recreational strategic plan. This plan suggested having an interim executive director role for two years to create and implement the vision for the department. The department was running programs and staffing that did not fully reflect the current needs of the town. Recently, many directors of programs retired, so an opportunity exists to realign the department to meet the current and future needs of the town focusing on planning, fees, scheduling, and relationships with schools and youth groups.

#### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Administration	3.00	4.5%	\$342,473	1.4%
Street Maintenance	5.00	7.5%	\$726,969	2.9%
Snow Removal	0.00		\$749,591	3.0%
Central Fleet Maintenance	4.00	6.0%	\$596,008	2.4%
Forestry	1.00	1.5%	\$308,398	1.2%
Delta & Grounds	1.00	1.5%	\$75,650	0.3%
Solid Waste Collection & Disposal	1.60	2.4%	\$2,650,348	10.7%
Street Lighting	0.00		\$348,495	1.4%
Cemetery Maintenance	5.70	8.5%	\$499,911	2.0%
Parks & Facilities Maintenance	5.30	7.9%	\$625,518	2.5%

Recreation	15.90	23.8%	\$1,008,571	4.1%
General Fund Total	42.50	63.5%	\$7,931,932	32.0%
Water Administration	2.00	3.0%	\$716,094	2.9%
Water Distribution	10.40	15.5%	\$6,776,559	27.4%
Sewer Maintenance	8.00	12.0%	\$8,847,345	35.7%
Stormwater Maintenance	4.00	6.0%	\$479,535	1.9%
Enterprise Fund Total	24.40	36.5%	\$16,819,533	68.0%
Department Total	66.90	100.0%	\$24,751,465	100.0%

### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Forestry - Tree Services	\$211,620	\$190,890	10.9%	Tree contractor bid is every three years. Increase in age of a large number of trees, for removals and for trimming. Increase in public safety issues due to increasing weather events.
Recreation Administration - Full Time Salaries	\$80,627	\$66,510	21.2%	These changes in roles and costs are the results of organizational change recommendations in the recreation strategic plan and the retirement of several employees.
Recreation Programs - Part Time Salaries	\$25,659	\$0		See above.
Recreation Programs - Full Time Salaries	\$100,726	\$52,171	93.1%	See above.
Recreation Programs - Part Time Salaries Summer Program	\$139,924	\$154,200	-9.3%	Too many lifeguards were staffed in 2016, resulting in savings from a reduction in those staffed this year.
Recreation Programs - Part Time Salaries SPORT	\$23,015	\$47,815	-51.9%	Working on an inter-governmental agreement with Watertown that will lead to cost reductions.
Recreation Programs - Skating Rink Supplies	\$50,000	\$33,720	48.3%	Ongoing increases in maintenance and upkeep needed for aging rink.
Parks - Part Time Salaries	\$28,320	\$21,511	31.7%	Increase due to increased minimum wage.

### Requested Adds (not included in the budget above)

For longer-term consideration, the DPW would like the town to consider restoring several positions that have been lost over the years with the department staff down about 40% in the last 25 years. This has resulted in delaying routine maintenance for the fleet, sewer and drain lines, sweeping, and highways.

The department would like to add another fleet mechanic which the department has been without for 5-7 years. The department services all of the town vehicles and with limited mechanics who can only maintain and repair equipment so much in a day, vehicles are out of service for longer periods of time.

Would be nice to have seasonal help again to fill the voids for vacations as well as provide much need highway maintenance. The DPW used to have six seasonal minimum wage positions that were last in place in 2005.

Would also like to add back a truck driver/garage attendant who maintained the garage and do snow plowing as well as cover driver vacations.

**Special Analysis and Observations**

Recycling tonnage collected at the curb excluding yard waste for FY14, FY15, and FY16 is as follows:

	FY14	FY15	FY16
Tons	2,119	2,222	1,769
%CH		4.9%	-20.4%

The recent declines follow a national trend with reductions in the amount of paper that is recycled with the increase in the usage of online news. Also, light weight plastic packaging of soda and water bottles are contributing to the declines in recycling tonnage. Note that when comparing Belmont to other municipalities there can be different definitions of what is considered recycling tonnage.

The department is constrained to work within the available revenue budget. However, an available revenue budget does not allow for additional investment to maintain Town infrastructure.

The summer of 2016 was the first full-year operation of the new Underwood Pool and 2017 memberships have started off at a brisk pace.

As noted in the past, the Skip Viglirolo Skating Rink is past its useful life and the new rink proposal is currently on hold while the new high school is being determined. However, the DPW is responsible for maintenance and upkeep which is getting harder and harder since the rink is past normal upkeep. A contingency plan needs to be in place to secure ice time for when the rink completely fails.

The deteriorating condition of the DPW yard facilities also needs to be addressed. These assets may fail with little warning and currently do not allow for adequate use during a long emergency events with increased staff. Currently the women’s bathroom is in the fleet foreman’s office.

The new solid waste contract bidding process is also a key departmental focus. A significant amount of time has already gone into coming up with potential options. An audit has taken place over the last two years with input from numerous parties. The department will go in front of the Board of Selectmen in the fall to determine the next contract with the goal of having a new contract in place by the new calendar year. There are challenges with recycling as manufactures are moving to more light-weight plastic which is not as valuable; however, cardboard shipping boxes are offsetting some of these declines.

Evolving changes to the CPA process has added to the duties to the department - especially its director. This past year the director has been heavily involved in the PQ Playground and Grove Street Park

projects. The Winn-Brook tennis courts project will need constant supervision, which will put added pressure on department resources.

### **FY18 Recommendations**

#### **Recommendation**

Check quality of sidewalks and other concrete work in the town.  
Develop a contingency plan for if and when the rink fails.

The DPW should work with other town departments, committees and boards about financing/budgeting some of the Department's longer term needs mentioned in this report

#### **Explanation**

There have been instances of poor quality concrete in various locations.  
Since a new rink is several years out, a plan should be put in place for when the rink fails; including additional budget to purchase ice time from nearby rinks.

The current resourcing and infrastructure needs of the department are not going away and will continue to worsen. Given the budget constraints of the town, short-term solutions should be investigated to help mitigate some of these longer-term issues.

## Community Development

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$1,107,487	\$52,194	4.95%	10.10

#### Department Mission / Description of Services

Community Development consists of four departments.

*Administration:* administers and monitors requests for proposals, grants, contracts, and reimbursements.

*Inspection Services:* issues building permits and conducts building inspections, also responsible for code enforcement. Plumbing and gas inspector is a shared position with the Town of Watertown.

*Engineering:* responsible for the development, design, and oversight of road reconstruction and major sanitary sewer and storm drain rehabilitation projects.

*Planning:* provides services and guidance on land use and related issues to the Board of Selectmen, Town Administrator, Town boards, residents, and developers.

#### Budget by Program

Program	FTEs	FTE %	Budget \$	Budget %
Administration	3.00	29.7%	\$385,198	34.8%
Engineering	1.30	12.9%	\$117,437	10.6%
Inspection/Enforcement*	2.80	27.7%	\$333,403	30.1%
Planning	3.00	29.7%	\$271,449	24.5%
Total	10.10	100.0%	\$1,107,487	100.0%

\* includes \$86,864 for plumbing and gas and wiring inspectors shared with Watertown

#### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY18	Prior Year	% Change	Explanation
Planning - Full Time Salaries	\$210,408	\$197,360	6.6%	Rate for new Staff Planner higher than anticipated.
Building Inspection - Prof & Tech Services	\$33,000	\$6,400	415.6%	Temporary help, if needed, to enforce new zoning bylaws.
Recreation Programs - Skating Rink Supplies	\$50,000	\$33,720	48.3%	Ongoing increases in maintenance and upkeep needed for aging rink.

#### Requested Adds (not included in the budget or discussed by Board of Selectmen above)

None.

#### Special Analysis and Observations

It appears that Community Development has a very good, hardworking staff, but experiences a fair amount of turnover, particularly in Inspection Services.

## **FY18 Recommendations**

### **Recommendation**

Explore strategies to reduce staff turnover and possibly increase staff.  
Continue work towards online permit filing

### **Explanation**

Turnover harms department efficiency and reduces level of service.  
Greater convenience, efficiency.

## Facilities

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY18 FTEs
\$4,377,340	\$53,824	1.24%	29.55

#### Department Mission / Description of Services

In September 2013 the consolidation of the Town and School building maintenance departments into a single department was accomplished with the hiring of a new Director of Facilities. Starting in 2016, the consolidation of the Facilities Operation for both the Town and the School Department was undertaken and the budget report below still shows some vestiges of the original separation.

*Mission and Services:* The new combined Facilities department is responsible for the maintenance, cleaning, repair of all Town and School buildings, including managing the fuel and utilities for said buildings. The department also assists with the oversight of Town and School capital projects.

#### Budget by Program

The combined budget for both Town and School buildings broken down by function in dollar amount and percentage is as follows:

Program	FTEs	FTE %	Budget \$	Budget %
Personnel & Admin	1.30	4.4%	\$720,038	16.4%
General Services	0.00		\$150,400	3.4%
Utilities	0.00		\$1,652,485	37.8%
Utilities Conservation	0.00		\$216,030	4.9%
Building Maintenance	27.35	92.6%	\$895,387	20.5%
Supplies & Equipment	0.00		\$394,000	9.0%
Major Building Repairs	0.90	3.0%	\$349,000	8.0%
Total	29.55	100.0%	\$4,377,340	100.0%

#### Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year. As most of the increases in this Department's budget are due to bringing in the School Department's facilities budget and FTE's, this report will not identify those changes in detail.

Line Item	FY18	Prior Year	% Change	Explanation
Full Time Salaries	\$563,242	\$487,969	15.4%	
Major Building Repairs	\$349,000	\$295,000	18.3%	
Custodial Supplies	\$30,000	\$22,000	36.4%	
Custodial Supplies	\$100,000	\$75,300	32.8%	
R&M Bldg/Grounds	\$50,000	\$8,000	525.0%	
Repair Contract Svcs	\$77,330	\$0		
R&M HVAC Contr. Svcs	\$255,000	\$0		
Energy Conservations	\$183,500	\$0		
R&M HVAC Contr. Svcs	\$93,000	\$0		

The comparison of FY17 to FY18 is still skewed by the on-going consolidation of the Town and the School Department Facilities and further by different allocation of budget item categories. The duplication of

custodial services and HVAC Contractual Services are still broken out by the School and Town respectively. The FY18 budget includes one new FTE at an estimated salary of \$59,585 for an HVAC Technician position. The rationale for the new position is the complexity of the new HVAC system has necessitated outsourcing repair service and an in-house technician will save money

**Requested Adds (not included in the budget above)**

None.

**Special Analysis and Observations**

The consolidation of the Facilities of both the Town and School Department has been successful. The consolidation of vendors has resulted in savings. Progress has been made with the union that allows the Department’s personnel to work interchangeably in Town and School Department buildings. The Department has engaged through the bid process three so-called House Doctors that can be called upon to promptly provide outsourcing of maintenance and repairs. The cost effectiveness of the House Doctors program is still under review. As referenced below, the Department seeks a FTE in the FY18 budget to hire an in-house HVAC technician.

**FY18 Recommendations**

**Recommendation**

“Floating maintenance man”  
Consolidated home for Facilities Dept.

**Explanation**

Reduce the need for outsourcing maintenance.  
Consolidation of all aspects of the Facilities Dept. in one location would greatly improve efficiency compared to the existing scattered sites.

## Minuteman

*Article 13: That under Minuteman Regional School, \$910,185 be raised and appropriated.*

### Budget Overview

FY18	\$ change from prior year	% change from prior year	FY17 Belmont Enrollment
\$910,185	\$114,531	14.39%	28

Belmont’s assessment has increased 14.4% primarily because of an increase in enrollment from 26 to 28 students. Member town assessments overall have increased 5.5% due to other factors, as well, including a decline in non-member tuition revenue, Chapter 70 School Aid, and Excess & Deficiency (E&D) funding (E&D funding is similar to “Free Cash”). In contrast, the District budget decreased 1.4%, and this mainly stemmed from a reduction in enrollment. The fiscal year 2018 budget and assessment is under a new District agreement, amended March 11, 2016, which includes a rolling average to determine enrollment and a revised capital allocation formula.

#### Department Mission / Description of Services

*Mission:* Minuteman’s mission is to serve a diverse student body with multiple learning styles within academic, career, and technical areas.

*Services:* Minuteman provides instruction to high school students in traditional academic subjects and 19 career and technical training areas, such as carpentry, plumbing, culinary arts, early education, telecommunications, biotechnology, environmental science, and computer programming/web design. Minuteman also provides career and technical training to postgraduate students, although the costs for the post-graduate programs are primarily covered through a separate revolving fund budget.

#### Budget by Program

Minuteman’s major program areas are shown below. Instructional support includes services such as special education, technology support, guidance, the library, and health.

Program	Budget \$	\$ change from prior year	% change from prior year
Administration	\$1,597,041	(\$142,844)	-8.2%
Student Instructional Services	\$9,825,078	\$198,557	2.1%
Student Services	\$1,902,488	(\$337,560)	-15.1%
Operation & Maintenance	\$1,779,420	(\$24,384)	-1.4%
Insurance, Retirement, Leases	\$2,787,268	(\$126,297)	-4.3%
Community Services	\$100,000	\$0	0.0%
Asset Acquisition & Improvements	\$272,623	\$115,301	73.3%
Debt Service	\$1,155,549	\$38,597	3.5%
Tuition Payments	\$30,000	\$0	0.0%
Total	\$19,449,467	(\$278,630)	-1.4%

The increase for Asset Acquisition & Improvements is due primarily to replenishment of the Stabilization Fund, which provides for future capital needs.

### **Special Analysis and Observations**

*Belmont's Membership:* On October 19, 2016, Town Meeting voted to leave in the Minuteman Regional Vocational District. The vote triggered an exit process that will end Belmont's membership in the District on July 1, 2020 if approved by the state Commissioner of Education. Until then, Belmont pays an annual assessment based on a 4-year rolling average of enrollment. Belmont will not pay for construction of a new Minuteman school building, which was approved by 69.5% of District member voters in a special election on September 20, 2016. Belmont students enrolled prior to termination of Belmont's membership will be permitted to continue in their programs and graduate from Minuteman. New Belmont enrollments as a non-member town will be possible if space permits. In the meantime, the Belmont School Superintendent has committed to review alternatives and make eventual recommendations about how to meet Belmont's future vocational education needs.

*Enrollment Trends:* The current total enrollment at Minuteman is comprised of 618 high school students, down 20.9% and from 667 students the previous year. Under the revised Regional District Agreement, six towns are exiting the District effective July 1, 2017. The enrollment from the 10 remaining towns is 347 students, or approximately 56% of the total enrollment. Belmont currently has 28 high school students attending Minuteman. A new pressure on enrollment has arisen from the state Department of Elementary and Secondary Education (DESE), which mandates an exploratory first year for 9<sup>th</sup> graders in their home school districts for districts offering five or more state-approved vocational education programs. The result has been a decline of enrollment from non-member towns to 219 from 277 the previous year, a 20.9% loss of potential enrollments.

*Non-Member Tuition Students:* Non-member towns pay a tuition rate set by DESE. While out-of-district tuitions are less than the total per-pupil cost for each member town, non-member towns must provide their own transportation and pay a surcharge for special education students, costs that are built into the assessments charged member towns.

### **District's Present and Future**

For the past several years, the Minuteman Regional Vocational District has been under pressure from: (i) declining enrollment from member towns; (ii) a governance structure that Belmont and other member towns found unsatisfactory; (iii) an aging building in need of repair or replacement; and (iv) a State mandated funding environment financially favorable to non-member towns. With the adoption of DESE regulatory changes in 2015, the District also is confronting a decline in non-member town enrollments.

Under the Regional District Amended Agreement, adopted in 2016, District governance has been improved with, among other things, the adoption of weighted voting for member towns. The Amended Agreement also changed exit procedures, and six member towns voted to exit the District upon ratification of the new agreement. Belmont Town Meeting voted to exit the District on October 19, 2016, in order to avoid legal obligation for paying the construction cost of a new Minuteman high school building. During the final three years of Belmont's membership in the District, Belmont will not contribute for the building project cost.

The District-wide vote by residents of member towns on September 20, 2016 authorized the District to construct a new building. The expected \$144.9 million capital cost will be offset by a \$44 million state grant for which approval has been already obtained from the Massachusetts School Building Authority. The remainder of the capital cost will be paid for by member and non-member towns, as DESE has issued new regulations permitting Minuteman to charge non-member towns substantially the same capital cost as member towns. If Belmont enrolls students in Minuteman following the effective date of

its withdrawal from the District (July 1, 2020), it will pay a prorated share of capital costs based on those students, although non-member tuition likely will remain lower than member costs.

Belmont students will be able to continue to enroll in Minuteman after 2020 provided space is available. A new school building may stimulate demand, which could lead to a capacity constraint for students from non-member towns. Continued Belmont enrollment also depends on alternatives to be identified by Belmont's School Superintendent. Belmont's exit vote was predicated on an assumption that space would continue to be available at Minuteman or that significantly lower cost alternatives would be found.

## Belmont Public Schools

Article 13E: That under Belmont Public Schools, **\$52,969,484** be raised and appropriated.

### Budget Overview

<b>FY 2018</b>	<b>\$ change from prior year</b>	<b>% change from prior year</b>	<b>FY 2018 FTEs</b>
\$52,969,484	\$2,842,901	5.67%	484.13

### Department Mission / Description of Services

The School Department, responsible for K-12 education of all Belmont children and also for preschool inclusion services, is Belmont's largest department. In addition to its core classroom education, it provides Belmont students with a wide array of athletic, cultural, and service opportunities. The School Department also manages an adult education program and recreation programs open to both children and adults.

### Overview

There are three important observations as we approach Fiscal Year 2018:

- (1) FY18 is the third year of the Three Year Fiscal Plan that emerged from the 2015 Override.
- (2) Enrollment, Class Size, and Space Issues are key financial pressure points on the schools.
- (3) This calendar year is a contract negotiation year.

This chapter begins with a look at the proposed General Fund budget request for FY18 and its relation to the three observations above. Next is a broader look at the FY18 school operating budget, considering other sources of funds in addition to the General Fund appropriation. Third, we offer an updated comparison of Belmont and fourteen other municipalities with respect to their spending on schools.

We close with commentary summarizing our observations and findings, and framing them around the choices currently facing the School Committee. At stake is whether or not subsequent budgets can address rising enrollments within the Town's existing revenue base, or whether an operating override or curtailment in spending growth (or both) will be required in the future to meet the demands for educational services.

### The General Fund Budget

Town Meeting will vote a General Fund appropriation for the schools, and the FY18 budget approved by the School Committee ties specific expense accounts to the General Fund revenue. The expense accounts are organized under six major programs, and the following table shows the FY17 and FY18 budgets and budgeted Full Time Equivalent ("FTE") staff positions assigned to the General Fund.

### The General Fund Budget

Program Category	Budget \$s		Budget Δ %	Full Time Equivalents	
	FY17	FY18		FY17	FY18
Regular Instruction	19,854,495	20,653,620	4.02	244.7	249.5
Special Instruction	13,823,085	14,173,585	2.54	126.7	126.8
Student & Instructional Services	5,361,418	5,827,821	8.70	46.3	48.1
Operations	956,984	976,034	1.99	18.5	18.8
Leadership & Administration	3,310,457	3,353,843	1.31	41.2	40.9
Allowances & Benefits	6,820,145	7,984,581	17.07	0.0	0.0
<b>TOTAL</b>	<b>50,126,583</b>	<b>52,969,484</b>	<b>5.67</b>	<b>477.3</b>	<b>484.1</b>

### The FY18 Budget and the 2015 Override

The FY18 budget implements the third year of the three year plan presented to the voters during the 2015 spring override campaign. The \$4.5 million annual addition to the tax base has helped fund services such as:

- 20 new FTE (full-time equivalent) teachers in classrooms, allocated across all grades.
  - 7 elementary school FTEs
  - 5.4 FTEs at the middle school
  - 5.6 FTEs at the high school
  - 2.0 English Language Learner FTEs working across all grades
- 6.1 additional FTEs
- 2 new buses, bringing the total of in-district buses up to 8
- full funding within the budget for materials and supplies
- full funding within the budget for current special education expenses

The challenge will be whether future budgets can continue to support these needs and other needs as identified by the School Committee and school administration.

### Continuing Pressure from Increasing Enrollment

The pressure point most discussed by the School Committee is the year-over-year increase in district enrollment. The following table shows the enrollment growth over the past ten years and how that has been distributed across grades.

**Belmont Enrollment Growth, Oct 2005 to Oct 2015**

	Enrollment		10 year change	
	2005	2015	#s	percent
Elementary Schools (K-4)	1332	1733	401	30.1
Middle School (5-8)	1125	1323	198	17.6
High School (9-12)	1169	1245	76	6.5
TOTAL (K-12)	3626	4301	675	18.6

The growth in the elementary grades makes it particularly difficult to manage the desired cap on classroom enrollment as defined by School Committee guidelines. It would take an additional 5 classroom teachers in the next year or two to reduce elementary class sizes to below the maximum target levels. Assuming these elementary students stay within the district, the middle and high schools will face even greater enrollments in the future. If so, requests for addition classroom teaching staff could follow.

**Growth Rates of Spending and Town Revenues**

To look at the types of spending that contribute to the overall growth, the next table uses one of the school department’s categorization methods to allocate the 5.67% total General Fund budget growth across different functional categories:

**Contribution to Total General Fund School Budget Increase**

Category	FY18 \$	% increase over FY17	contribution to % increase total GF Budget
Base Salary and Wages	34,452,094	4.16	2.75
Contract Allowances	773,662	316.16	1.17
Health Insurance	6,294,282	9.57	1.10
Operating Expenses	2,006,491	6.21	0.23
SPED Transportation	1,207,470	7.00	0.16
SPED Contract Services	1,115,705	7.00	0.15
Temp Salaries	1,210,875	2.75	0.06
Other Benefits	916,637	3.00	0.05
Equipment	213,675	0.05	0.00
SPED Tuitions	4,778,593	0.00	0.00
TOTAL	52,969,484	5.67	5.67
<i>Override plan: +5 FTEs, +1 bus</i>	<i>(\$410,000)</i>		<i>(0.82)</i>
<i>TOTAL excluding override items</i>			<i>4.85</i>

There are several observations based on this table.

First, almost all of the 5.67% increase is related to compensation and benefit expenses.

Second, looking just at the first line, Base Salary and Wages, this accounts for 2.75% of the overall increase of 5.67%. About one-quarter of this increase is due to the addition of 5 teachers in FY18

as scheduled in the three-year plan presented during the 2015 override campaign.

Third, the cost increase for the town-wide health insurance plan is significantly higher in FY18 than has been the case in previous years. We expect this is an unusually high jump, with subsequent years' increases to be more in line with the historical average. The FY18 increase of 9.57% contributes 1.10% to the total increase in the General Fund budget.

Fourth, the special education ("SPED") out-of-district tuition dollar amount paid through the General Fund budget is kept the same as the FY17 budget numbers, even though the school department projects total SPED out-of-district tuitions to increase by 7.8%. As described more fully on page 42, SPED out-of-district tuitions are funded through grants as well as the General Fund budget, and it will be the grant accounts that will fund whatever increases in SPED tuitions that materialize in FY18.

Finally, the line below the main table identifies the impact of the additional items in the FY18 budget made possible through the 2015 override – the five FTEs and the additional bus. These new items account for 0.82% of the FY18 budget increase, and they are now part of the new baseline for the school's General Fund budget in subsequent years.

Over the past five years, the "organic growth" of General Fund property tax revenues has been 3.5% per year. 2.5% of the annual increase is allowed by Proposition 2 $\frac{1}{2}$ , and the other 1.0% has come from "new growth" – new development that increases the assessable tax base. (There are other sources of General Fund revenues, such as local receipts and state aid, but property taxes make up 80% of total revenue).

The last line in the above table suggests 4.85% as an estimate of future years' budget growth for a level services budget. While there are many uncertain factors that will affect future budgets, such as the outcome of contract negotiations and the realized experience of health insurance claims and mandated SPED services, the gap between the projected growth in a level services budget versus the projected growth in revenue is a concern to take seriously.

## The Consolidated Budget – All Funding Sources

In addition to the appropriation from the General Fund, which contributes more than 87% of the total school revenue each year, the school district also receives money from state and federal grants, from program fees paid into segregated revolving funds, and from other grants and gifts.

Funding Source	FY 2018	Description
<i>GENERAL FUND APPROPRIATION</i>		
Chapter 70 State Aid for Education	7,800,233	The final amount available will not be known until the state budget is approved
Other General Fund Sources	45,169,251	Includes property taxes, local receipts, and state aid
<i>ALL GENERAL FUND SOURCES:</i>	52,969,484	Appropriation to be voted by Town Meeting
<i>GRANTS</i>		
"Circuit Breaker"	1,614,845	State grant that partially reimburses high cost SPED tuition expenses
Individual with Disabilities Education Act (IDEA)	1,009,496	The primary federal grant to help fund special education
Early Education and Care (EEC)	27,066	Support for Pre-K SPED programs
SPED Improvement	22,365	State grant program development
METCO program & transportation	553,842	State grant for METCO
Full Day Kindergarten (FDK)	0	Program change in state budget; funds available through Chapter 70 state aid only if FDK is tuition-free
Title I	145,369	Federal grant to promote literacy through wellness
Title IIA	66,506	Federal grant, professional development
Title III	60,209	Federal grant to support English Language Learners (ELL)
Grant from Town	35,000	Payment from Town for tech support
<i>ALL GRANTS:</i>	3,534,698	
<i>REVOLVING FUNDS</i>		
Full Day Kindergarten	812,086	Tuition for afternoon session
Pre-Kindergarten	143,557	Participant fees
Lunch programs	946,166	Intended to cover full costs
BHS and CMS Athletics	492,731	Participant fees
Bus transportation	252,000	Fees cover less than half of costs
Building Rental Fees	185,900	Pays for building expenses
Other User Fees	666,792	Seven other funds
<i>ALL REVOLVING FUNDS:</i>	3,499,232	
<i>TOTAL, ALL FUNDING SOURCES</i>	60,003,414	

*(Note that private grants and gifts from the Foundation for Belmont Education, the PTOs/PTAs, the "Friends of ...." fundraising groups, and local businesses are not included unless paid into a school district revolving fund.)*

## Spending Categories, for All Funding Sources

Using information from all funding sources, the next table looks at total spending grouped by service and support categories:

		Actual FY16	Budget FY17	FTE FY18	Budget FY18	% Δ, Bud FY18 - Bud FY17
	DIRECT EDUCATIONAL SERVICES					
1	Regular Instruction	20,123,597	21,230,912	273.9	22,020,987	3.7
2	SPED Instruction	5,873,897	6,778,917	104.8	6,916,318	2.0
3	Substitutes	371,601	480,000	0.0	511,875	6.6
4	SPED Out of District Tuitions	6,503,163	7,058,872	0.0	7,340,434	4.0
5	English Language Learners	522,100	683,628	10.0	786,274	15.0
6	Pre K	705,143	774,724	13.8	800,628	3.3
7	Adult Education	40,331	9,120	0.0	45,000	393.4
8	Benefits Allocation	3,712,798	4,022,387	0.0	4,342,161	7.9
		37,852,635	41,038,562	402.6	42,763,678	4.2
	STUDENT SERVICES					
9	Athletics	788,665	850,724	1.0	878,893	3.3
10	Student Activities	163,772	140,627	0.2	180,550	28.4
11	Guidance	887,956	998,932	13.2	1,072,884	7.4
12	Psychological Services	531,282	551,239	7.6	650,680	18.0
13	Health Services	662,493	687,015	8.5	752,637	9.6
14	Library	261,816	289,480	5.9	291,059	0.5
15	METCO	367,327	338,706	5.4	339,340	0.2
16	Benefits Allocation	366,131	404,589	0.0	452,180	11.8
		4,029,444	4,261,316	41.9	4,618,224	8.4
	EDUCATION SUPPORT					
17	Curriculum Development	186,371	233,303	1.7	250,422	7.3
18	Staff Development	248,354	270,667	1.0	293,128	8.3
19	Benefits Allocation	25,506	27,303	0.0	28,907	5.9
		460,233	531,273	2.7	572,458	7.8
	ADMINISTRATION & OPERATIONS SUPPORT					
20	Building Administration	2,153,434	2,082,991	30.9	2,141,101	2.8
21	Central Administration	1,261,727	1,244,680	10.3	1,241,642	-0.2
22	Contract Allowances	0	185,903	0.0	773,662	316.2
23	Operations	1,173,860	1,146,984	18.8	1,136,034	-1.0
24	Technology	1,365,849	1,328,774	10.0	1,343,808	1.1
25	Food Service	987,859	958,674	17.7	946,166	-1.3
26	In District Transportation	384,826	441,800	0.0	576,000	30.4
27	SPED Transportation	1,106,872	1,128,477	0.0	1,207,470	7.0
28	METCO Transportation	149,906	152,160	0.0	180,600	18.7
29	Health Insurance for Retirees	1,417,013	1,497,381	0.0	1,556,212	3.9
30	Benefits Allocation	853,037	895,662	0.0	946,358	5.7
		10,854,386	11,063,489	87.7	12,049,053	8.9
	TOTAL ALL CATEGORIES	53,196,699	56,894,642	534.9	60,003,414	5.5
	GENERAL FUND ONLY	47,232,459	50,126,583	484.1	52,969,484	5.7

In this table we see several significant changes in budget allocations from FY17 to FY18:

**Substitutes (line 3):** A possibly conservative (high) estimate; hard to forecast since actual spending on long-term substitutes is spread across two budget lines, depending on whether or not absent teacher is on a paid or unpaid leave.

**English Language Learners (line 5):** Net increase of 0.6 FTE plus higher average compensation costs explain the increase of \$102,646.

**Adult Education (line 7):** FY18 budget reflects FY16 actual costs, which are fully funded by tuition fees.

**Benefits Allocations (lines 8, 16, 19, 30):** Higher headcount plus 9% reported town-wide increase in health insurance costs drive these lines up.

**Student Activities (line 10):** The General Fund allocation to High School extracurricular activities is \$12,438 higher in FY18, and the projected spending from a Middle School revolving fund is \$26,300 higher.

**Guidance, Psychological Services, Health Services (lines 11, 12, 13):** Another year of increases in these areas as follow-up to the Social and Emotional Learning (SEL) objectives identified in the strategic plan included in the 2015 Financial Task Force Report.

**Curriculum Development and Staff Development (lines 17, 18):** Part of renewed dedication of resources to areas cut back prior to the override.

**Contract Allowances (line 22):** Includes yet-to-be allocated reserves.

**In District Transportation (line 26):** An additional bus will be added in FY18.

**SPED Transportation, METCO Transportation (lines 27, 28):** Projected budget for FY18 assume higher contract costs.

### Special Education Out-of-District Tuitions

The most important item to receive significant funding from both the General Fund and from federal and state grants is the Out-of-District Tuitions for students needing special education services.

<b>Account</b>	<b>Actual FY15</b>	<b>Actual FY16</b>	<b>Projected FY17</b>	<b>Projected FY18</b>
<b>General Fund Accounts</b>				
1 MA Tuitions	919,694	1,012,391	1,149,107	903,568
2 Out-of-State Tuitions	0	0	150,000	150,000
3 Private Tuitions	788,878	1,090,428	1,087,682	1,113,768
4 LABBB Tuitions	1,972,645	2,357,568	2,675,940	2,611,257
<b>Grant Accounts</b>				
5 Tuitions, Circuit Breaker funds	1,377,754	1,156,283	928,180	1,753,473
6 Tuitions, IDEA grant funds	921,192	915,727	946,996	946,996
<b>Credits</b>				
7 Tuitions, LABBB Credits	332,946	0	0	0
<b>TOTAL</b>	<b>6,313,109</b>	<b>6,532,397</b>	<b>6,937,905</b>	<b>7,479,062</b>
<i>year over year % increase</i>		<i>3.5%</i>	<i>6.2%</i>	<i>7.8%</i>

As the table above shows, seven different account lines have been used to pay for special education out-of-district tuitions.

Belmont is a member of the LABBB collaborative, along with Lexington, Arlington, Bedford, and Burlington. As a member, Belmont earns tuition credits when the collaborative's revenues exceed its revenues. In 2015 Belmont used these credits to pay for some tuitions.

Line 5 is the Circuit Breaker account. It is funded through a state grant program that partially reimburses school districts for large out-of-district tuition expenses in the previous fiscal year – the name "circuit breaker" refers to the fact that it kicks in when otherwise large tuition bills could overwhelm a school district's budget. While the exact level of reimbursement depends on the total amount of the state grant program (which was \$277 million in FY17) and the total amount of reimbursable expenses submitted state wide (\$796 million in FY17), for the past five years Belmont has received a Circuit Breaker grant ranging from 28.8% to 31.3% of the previous year's submitted out-of-district tuitions.

The Department of Elementary and Secondary Education ("DESE") allows school districts to carry forward some or all of the Circuit Breaker grant for one year, as a buffer against unexpected tuition expenses. At the same time, DESE acknowledges that Town Meetings and other appropriating authorities may consider the size of the Circuit Breaker funds available when reviewing a school district's budget request.

At the June session of the Annual Town Meeting there will be an article to establish a Special Education Reserve Fund, funded through the School Department budget and accessible upon vote of the School Committee and the Board of Selectmen voting separately. The proposed Special Education Reserve Fund (which is different from the existing but unfunded Special Education Stabilization Fund) has the potential to serve as a standing cushion against unforeseen special education expenses, as an alternative (or supplement) to carrying forward positive balances in the Circuit Breaker account.

### **Post Employment Health Insurance Benefits**

Belmont offers a defined benefit healthcare plan to provide lifetime healthcare for eligible retirees and spouses. Employees are fully vested in the plan when they have ten years of service. Employees of the town departments and the school department are eligible to receive this benefit.

The FY18 budget includes \$1,556,212 to pay these benefits to current retirees from the school department. The school budget, like the town budget, does not reflect the increased liability for future health benefits as employees vest and as the vested employees come closer to retirement.

We estimate that an \$8,000 charge per vested employee per year (and adjusted for inflation) would be necessary to fund this retirement benefit during an employee's period of active service. With the FY17 payroll records for the school show at least 175 active employees with at least ten years of service (and thus fully vested with this benefit), \$1.4 million (175 times \$8,000) is our ballpark estimate of what the school department's share would be, if the Town sought to more closely match the funding of this liability with employment of the beneficiaries.

This is worthwhile to remember as employees approach the top step of a step-and-lane system and they have reduced opportunities for salary growth, they are nevertheless receiving additional real, but somewhat obscured, compensation in the form of a vested lifetime health insurance benefit.

The point of this exercise is to show that benefit of lifetime health insurance is quite valuable to the employee and a significant liability to future generations of taxpayers.

## Special Analysis: Comparing Belmont with Nearby Communities

The School Department in its presentation of the FY18 budget noted that “Belmont has consistently spent less on a per pupil basis than the state average, and the average of cohort districts”. It used financial and enrollment data compiled by the state Department of Elementary and Secondary Education (“DESE”) for the fiscal years 2011 to 2015.

This report provides new information about per pupil spending, drawing on the FY16 financial reports from Belmont and fourteen other school districts, as well as historical data about school enrollment and staffing and municipal financial and demographic information.

The goal is to better understand the DESE financial rankings, to provide some context for these results, and also to help frame the alternatives facing the School Committee members, the Board of Selectmen, Town Meeting members, and ultimately the voters of Belmont.

### The Fifteen Communities

We chose fourteen communities along with Belmont, grouped into three categories. While we avoided those suburban towns that belong to a two-town high school district (e.g., Concord and Carlisle) to keep the analysis simpler, we still have a good mix of nearby communities in our sample.

**Neighbors:** Arlington, Lexington, Watertown, and Winchester. These four communities face similar challenges and opportunities to Belmont, and are the logical peer communities for this study.

**Cities:** Cambridge, Newton, Somerville, Waltham. These four cities with populations over 50,000 are nearby but have a different demographic than Belmont and its peers.

**Suburbs:** Bedford, Burlington, Needham, Wayland, Wellesley, and Weston. These six suburban towns provide some different examples of towns farther from Boston and Cambridge. Wellesley and Weston in particular are two of the wealthiest towns in Massachusetts.

The next table shows some basic demographic and economic information about the communities. Belmont, like Arlington, is somewhere in the middle between an urban and a suburban community.

### Community Demographic Information for 15 Communities

	2015 Population	Population per Sq Mile	Population per Household	Income per Capita	EQV* per Capita	% Parcels as Single Family Parcels
<b>Belmont</b>	<b>25,515</b>	<b>5,475</b>	<b>2.43</b>	<b>85,813</b>	<b>271,713</b>	<b>54</b>
Arlington	44,477	8,586	2.14	54,612	203,998	53
Lexington	33,055	2,016	2.61	105,007	328,658	80
Watertown	34,141	8,307	2.59	42,032	206,446	28
Winchester	22,279	3,689	2.68	100,074	314,496	72
Cambridge	109,700	17,061	2.22	58,985	360,719	16
Newton	88,506	4,903	2.61	116,822	296,444	62
Somerville	79,356	19,308	2.25	33,806	156,814	14
Waltham	63,149	4,972	2.43	33,161	167,751	55
Bedford	14,082	1,025	2.48	65,089	248,809	75
Burlington	25,699	2,176	2.53	43,154	240,914	82
Needham	30,250	2,399	2.60	103,782	319,853	82
Wayland	13,546	889	2.59	167,329	270,659	79
Wellesley	28,872	2,836	3.05	193,176	406,958	86
Weston	11,982	704	2.81	329,873	522,687	85

*\*EQV is "Equalized Valuation", a measure based on property assessed values and used by the State in various calculations of state aid. The higher the EQV, the higher are the property values in the municipality.*

The first three columns show different measures of population – total, per square mile, and per household. Arlington, Somerville, and Cambridge stand out with high densities and low residents per households, and the factors that drive those outcomes affect Belmont in a similar (but less intense) fashion. The income and wealth (EQV) measures place Belmont in the middle of the fifteen communities, with suburban towns as clearly wealthier. And while Belmont is known as the "Town of Homes", single family residences make up just slightly more than half of the total parcels in town, reflecting the significant stock of two family buildings (some converted to condos), most similar to Arlington.

#### Fiscal Year 2016 Spending on Education

In order to dig deeper into the per pupil spending on education, we analyzed the FY16 "End of Year (EOY) Financial Report" that DESE requires all districts to file. The EOY reports includes spending of all types, operating and capital, in-district and out-of-district, from all sources (appropriations to the school district, town spending, grants, revolving funds, gifts). The reported per-student spending numbers exclude some capital costs as well as member assessments to regional vocational schools.

The following table demonstrates the trend noted by the School Committee – Belmont's per student spending on school operations in FY16 was less than all but one of the fourteen other communities studied here.

### FY16 Spending by Categories, All Funding Sources, by Enrollment

	TOTAL	Classroom Instruction	SPED In-District Instruction	Other Instruction	Out-of-District Tuitions	Benefits	Pupil Services	Other
<b>Belmont</b>	<b>13,349</b>	<b>4,446</b>	<b>1,148</b>	<b>2,003</b>	<b>1,491</b>	<b>1,879</b>	<b>998</b>	<b>1,384</b>
Arlington	13,984	4,478	788	2,322	1,177	2,188	1,260	1,771
Lexington	18,074	7,195	408	3,485	1,231	2,542	1,446	1,768
Watertown	20,801	6,107	2,215	3,423	2,185	3,146	1,646	2,079
Winchester	13,345	5,553	479	2,289	759	1,665	1,062	1,538
Cambridge	28,400	7,177	1,593	5,160	3,508	5,220	2,495	3,246
Newton	18,780	7,783	613	3,183	1,005	3,004	1,355	1,837
Somerville	18,855	5,428	927	3,296	2,627	2,609	1,628	2,340
Waltham	20,244	7,175	118	2,897	1,352	4,830	1,688	2,184
Bedford	18,120	5,948	1,998	2,462	1,974	2,156	1,667	1,914
Burlington	19,875	7,200	1,778	3,002	1,681	2,729	1,529	1,957
Needham	16,549	5,585	1,321	2,956	975	2,470	1,333	1,910
Wayland	17,426	6,692	1,320	2,750	956	1,873	1,590	2,244
Wellesley	18,796	7,972	86	3,696	1,371	2,264	1,396	2,010
Weston	23,912	7,925	1,271	4,416	1,187	4,359	2,059	2,696

The table shows per student spending across the major accounting categories. One observation is that the difference between Belmont's per pupil spending versus other communities is smallest among Belmont's nearest neighbors, and greater when compared to either four cities or the more distant suburbs.

#### Trends in Enrollment, Staffing, and Classrooms

What accounts for the lower per student spending in Belmont and other neighboring towns, particularly with respect to classroom instruction? The next table looks at enrollment levels as well as the enrollment per classroom teacher full-time equivalent positions (FTEs) and per classrooms. The data for FTEs and classrooms comes from a different DESE-required report, based on October staffing levels. This table shows the data for FY16 (that is, October 2015 data) as well as five years before (October 2010).

The key take-aways from the next table are:

- Belmont's class sizes are larger than its neighbors; and,
- Belmont's enrollment has grown faster than its neighbors.

### Historical Look at Enrollment, FTEs, and Classrooms

	October 2010			October 2015			% change in K-12 pupils
	K-12 pupils	Pupils per FTEs	Pupils per class	K-12 pupils	Pupils per FTEs	Pupils per class	
<b>Belmont</b>	<b>3,866</b>	<b>16.8</b>	<b>21.4</b>	<b>4,301</b>	<b>16.5</b>	<b>19.4</b>	<b>11.3</b>
Arlington	4,751	15.0	18.1	5,248	13.8	15.2	10.5
Lexington	6,314	12.1	18.5	6,849	12.0	18.9	8.5
Watertown	2,508	11.1	13.7	2,423	9.9	12.7	-3.4
Winchester	4,196	13.9	16.7	4,504	13.5	11.5	7.3
Cambridge	5,575	9.8	19.8	6,088	9.4	12.2	9.2
Newton	11,723	14.5	17.7	12,450	11.4	14.3	6.2
Somerville	4,597	13.6	17.8	4,600	10.9	16.6	0.1
Waltham	4,658	10.7	12.8	5,216	11.3	12.9	12.0
Bedford	2,371	12.0	15.2	2,508	11.3	13.6	5.8
Burlington	3,565	12.4	17.7	3,372	11.1	10.9	-5.4
Needham	5,278	15.3	21.2	5,495	14.1	19.7	4.1
Wayland	2,680	13.9	16.0	2,657	12.8	16.9	-0.9
Wellesley	4,792	13.4	17.8	4,968	13.4	16.6	3.7
Weston	2,314	12.0	19.0	2,138	11.0	14.6	-7.6

Measured by pupils per FTE, Belmont has a higher ratio than the other communities, both for the most recent year (FY16) as well as five years before, with a similar result for the ratio measured per classroom. The five year data also shows that Waltham and Belmont have had the largest changes in K-12 enrollment over the five year period, and along with Arlington, these three communities' K-12 populations grew more than 10%.

The next table compare enrollments over a longer period, between October 2005 and October 2015, summarized by the three types of communities and broken out by elementary, middle, and high school populations.

	Enrollment Trends, 2005 to 2015			
	10 year % change in Total Enrollment	10 year % change in Elementary Enrollment	10 year % change in Middle School Enrollment	10 year % change in High School Enrollment
<b>BELMONT</b>	<b>18.6</b>	<b>30.1</b>	<b>17.6</b>	<b>6.5</b>
4 Neighbors	13.5	15.7	15.3	8.8
4 Cities	6.4	13.9	3.6	-0.0
6 Suburbs	3.7	-2.6	5.3	10.8

Note that in the communities with the fastest enrollment growth, the growth is heavily weighted towards the elementary and middle school grades. For instance, from 2005 to 2015, Belmont's elementary school population rose 30.1% while in the six suburban towns studied here, the total elementary school population fell by 2.6%.

## **Accountability Data**

The Belmont school district has numerous advantages, including a high level of community support, engaged educators and students, and an administrative team that can address longer-term strategic issues while also keeping the daily operations running smoothly. All these factors contribute to a school system that is successful in many different dimensions.

The state has a particular measure of accountability and outcomes that it uses to compare school districts, scaled from "level 1" (the best ranking) to "level 5". In addition, the DESE website reports "Cumulative Progress and Performance Index" measures for students in a district. As this listing shows, for FY16 Belmont has the best outcome among the fifteen districts measured by level and cumulative progress and performance index score for all students. (The index for those communities scoring less than 100 is shown in parentheses).

### **Level 1 District, and Cumulative Progress and Performance = 100**

Belmont

### **Level 2 District, and Cumulative Progress and Performance = 100**

Lexington

Wellesley

Weston

Winchester

### **Level 2 District, and Cumulative Progress and Performance > 80**

Needham (95)

Newton (90)

Wayland (97)

### **Level 2 District, and Cumulative Progress and Performance > 50**

Arlington (76)

Bedford (62)

Burlington (66)

Cambridge (67)

Watertown (61)

### **Level 3 District**

Somerville (66)

Waltham (62)

Belmont outperforms all of the other communities, based on these measures.

## **Comparing Teacher Salaries**

With the School Committee and Belmont Education Association ("BEA") currently in collective bargaining talks about the next three year contract, it is also timely to know how Belmont's salaries compare with those of its neighbors.

All of the other communities surveyed here use some form of a “step-and-lane” system for its Unit A employees (eg, teachers, nurses, librarians, and guidance counselors). In a step-and-lane system, there is a table of salary levels organized by “steps”, which correspond to years in the system (or comparable experience), and “lanes”, which are based on undergraduate and graduate degrees and course credits. The steps provide guaranteed annual salary increases for all employees as they move up to the most senior step in the table. The lanes provide opportunities for guaranteed salary increases for employees who successfully complete graduate level courses. <sup>1</sup>

The following table shows our analysis of how Belmont’s step-and-lane tables compare with those of the other fourteen communities. The data is for FY16 and is based on Belmont’s actual distribution of teachers across steps and lane as reported in FY16:

<b>Unit A Salary Comparisons, FY16 contracts</b>					
	Standard Average \$ Cost	\$ Savings Δ versus Belmont	Savings Δ in FTEs (@90K)	<b>Actual Contract Details</b>	
				Masters Step 3	Masters+30 Max Step
<b>Belmont</b>	<b>77,222</b>	-	-	<b>55,656</b>	<b>95,091</b>
Arlington	70,730	2,038,348	22.6	52,439	81,781
Lexington	76,941	88,213	1.0	54,270	93,626
Watertown	74,828	751,643	8.4	56,327	90,297
Winchester	71,717	1,728,511	19.2	52,761	86,312
Cambridge	81,019	(1,190,373)	(13.2)	58,222	93,175
Newton	97,776	(6,453,962)	(71.7)	77,385	108,552
Somerville	76,686	168,298	1.9	55,247	88,173
Waltham	74,235	938,062	10.4	55,814	81,785
Bedford	77,064	49,729	0.6	53,784	89,148
Burlington	77,246	(7,437)	(0.1)	59,534	86,392
Needham	76,951	85,088	0.9	55,299	90,770
Wayland	77,960	(231,738)	(2.6)	52,650	100,651
Wellesley	78,843	(508,892)	(5.7)	55,201	99,491
Weston	82,197	(1,562,182)	(17.4)	56,649	100,092

Our process for comparing Belmont’s Unit A salary levels with those of other towns has two steps. First, we take the step-and-lane tables for FY16 for each of the other fourteen communities and mapped them into a standardized step-and-lane table with the same steps and lanes as Belmont’s table. For communities with different number of steps or different definitions of lanes, we made

<sup>1</sup>Two previous analyses of the step-and-lane system are: (1) the Compensation Modeling Group Report in the 2015 Financial Task Force Report, pp. 24-44, found at [www.belmont-ma.gov/sites/belmontma/files/file/file/financial\\_task\\_force\\_final\\_report.pdf](http://www.belmont-ma.gov/sites/belmontma/files/file/file/financial_task_force_final_report.pdf), and (2) the Warrant Committee Report on the FY17 Budget (May 2016), pp.53-56, found at [www.belmont-ma.gov/sites/belmontma/files/file/file/warrant\\_committee\\_report\\_fy2017-5-14-16.final.2.pdf](http://www.belmont-ma.gov/sites/belmontma/files/file/file/warrant_committee_report_fy2017-5-14-16.final.2.pdf).

The 2014-15 Compensation Modeling Group included the Interim School Superintendent and several members of the School Committee and Warrant Committee. The Group’s Report recommended changes, to be achieved through the collective bargaining process, to the step-and-lane system. No such changes were made at that time and this report assumes that the current step-and-lane system will remain in place.

reasonable and smoothing assumptions for the mappings. Second, we take the distribution of Unit A FTEs that Belmont actually employed during FY16 and applied this same teacher population against the Belmont step-and-lane table and the standardized tables for the other fourteen communities.

In the table above, the first column shows the average cost of the same population of Unit A teachers applied to each of the town's standardized step-and-lane tables. The second column shows the cost difference relative to Belmont's cost; a positive number indicates that the same Unit A population would cost less in the other town than in Belmont, and a negative number indicates that the other town's cost would be higher. The third column scales the total cost savings into FTEs, assuming an all-in cost of \$90,000 per FTE; again, a positive number indicates how many more teachers could be hired for the same total salary cost, and a negative number indicates the reduction in teachers that would be necessary to keep total spending at the same level. Columns 4 and 5 provide some specific, untransformed examples from each community's table, showing what a relatively junior teacher (Master's degree at the 3rd step) and a senior teacher (Master's degree plus 30 hours additional course credit at the top step) earned in FY16.

Using this standardized approach to comparing Unit A salary levels, Belmont's FY16 step-and-lane table pays higher salaries on average than those FY16 tables used by Belmont's closest peer communities, including Arlington and Winchester. To achieve a higher salary requires either adopting the tables of the highly commercialized cities of Newton or Cambridge, or those of the wealthiest suburbs of Weston, Wellesley, or Wayland.

### **Comparative Municipal Finances**

Essential to understanding comparative per pupil spending statistics is understanding a community's ability to pay. Property taxes are the single largest source of revenue, and rate at which a community's tax base grows (without voter approval of overrides or exclusions) is tied to its "new growth rate", which is the new development (including improvements to existing structures) that is added on to the community's property tax base. Motor vehicle excise taxes are a secondary source of revenue, and the growth in that account depends on how many new vehicles are acquired each year.

The next table gives some measure of these tax revenue and growth rates for the fifteen communities.

### Tax Revenue Comparisons

	5 Year Average % New Growth	% Tax Levy Non-Resi- dential	Residential Tax Rate as % Commercial Tax Rate	Avg Single Family Tax Bill as % per Capita Income	Motor Vehicle (MV) Tax (\$) per Capita	Average Annual % Growth, MV Receipts
<b>Belmont</b>	<b>1.00</b>	<b>5</b>	<b>100</b>	<b>13.6</b>	<b>128</b>	<b>3.4</b>
Arlington	1.20	6	100	13.7	105	4.9
Lexington	2.19	21	51	12.3	149	4.1
Watertown	2.57	33	54	-	119	7.0
Winchester	1.19	5	106	10.9	156	5.2
Cambridge	3.54	65	39	-	64	3.2
Newton	1.62	19	52	9.2	140	5.2
Somerville	3.00	26	62	-	76	5.8
Waltham	2.38	60	41	-	114	5.4
Bedford	2.59	37	46	14.0	147	7.0
Burlington	2.35	61	41	11.2	142	8.0
Needham	3.02	25	50	9.2	173	5.7
Wayland	1.27	5	100	7.0	176	4.7
Wellesley	1.80	13	100	7.2	169	5.8
Weston	1.73	4	100	5.7	243	2.7

Belmont stands out in this table, in ways that illustrate the challenges Belmont faces in raising additional revenue, with or without overrides or debt exclusions.

The first column shows that Belmont has historically had the lowest rate of new growth – that is, increasing its tax base through new construction – than any of the other communities. If Belmont's new growth were reliably 1.25% rather than 1.00%, there would be at least \$200,000 of new tax revenue each year.

The second, third and fourth columns show how dependent Belmont is on its residential property base, how the residential tax rate compares to the commercial tax rate, and the extent to which the average single family tax bill compares to the per capita income. Belmont has the second lowest level of non-residential tax base, and the average tax bill is among the highest in terms of community per capita income.

As the fifth and sixth columns show, Belmont even lags when it comes to motor vehicle excise tax revenue, both in terms of absolute collections (column 5) and annual growth rate (column 6). If Belmont residents paid motor vehicle taxes comparable to that of Lexington residents, there would be \$525,000 more in tax revenue (\$21 times 25,000).

This data, and other data like it, tell a familiar story: Belmont, Arlington, and Winchester face financial challenges that wealthier and more commercialized municipalities do not.

## Concluding Comments

The goal of this chapter has been to look more closely at the financial workings of the Belmont Public Schools and to explore the issues the School Committee raised in its budget presentation and the FY18 budget itself. Here are our findings and observations.

- **Belmont schools perform very well compared to neighboring school districts.** Standardized measures of performance and accountability place Belmont at the top of the rankings.
- **Belmont, Arlington, and Winchester share many of the same pressures on their municipal and school budgets.** Some key similarities are:
  - High and persistent growth in school enrollment
  - Low “new growth” in the property tax base
  - A tax base almost entirely dependent on residential properties
  - High average single family tax bills relative to per capita income
- **Belmont’s school district operates at a lower cost per pupil than many other districts.** Cities and wealthier suburban towns spend significantly more per pupil than Belmont. Belmont and the towns most like it run their school districts with leaner budgets.
- **Belmont pays its teachers above average salaries, relative to its closest neighbors.** Comparing FY16 compensation tables across all fifteen communities, Belmont’s average salary is comparable to the average across all communities, and 4% higher than the average of the towns most similar to Belmont in terms of demographics and municipal finances.
- **Belmont’s class sizes are larger than its neighbors.** This partially explains Belmont’s lower per pupil costs.
- **The \$4.5 million operating override passed in 2015 has provided key support.** Twenty new FTEs have been added as a result, and the district has been able to fund most necessary services, support, and supplies.
- **Current enrollment projections are a key pressure point.** The School Committee projects that district wide enrollment will continue to grow by 100 students per year for at least the next few years. It will take more classrooms and more teachers to relieve this pressure.
- **Managing overall budget growth within the Town’s overall revenue growth remains the primary financial challenge.** Will the school district manage its funding resources – General Funds, Grants, and Revolving Fund Receipts – to meet the demands presented by a growing student enrollment? The answer will influence whether or not the community will ask the Board of Selectmen to place an operating override before the voters.
- **The ongoing contract negotiations present the most important financial management decisions facing the School Committee.** The Belmont community strongly supports its school system and greatly values the work of the district’s teachers, leadership, and staff. We recognize that competitive compensation is an important factor in attracting and retaining top-performing employees, and our analysis shows that Belmont teacher salaries compare well to our peer communities. But the math is simple for our “town of homes”: salary increases in excess of the town’s revenue growth will lead to increasing pressure on school and other town finances.